DÁIL ÉIREANN

AN COISTE UM CHUNTAIS PHOIBLÍ

COMMITTEE OF PUBLIC ACCOUNTS

Déardaoin, 25 Aibreán 2013

Thursday, 25 April 2013

The Committee met at 10 a.m.

MEMBERS PRESENT:

Deputy Paul J. Connaughton,	Deputy Simon Harris,
Deputy John Deasy,	Deputy Mary Lou McDonald,
Deputy Paschal Donohoe,	Deputy Eoghan Murphy,
Deputy Robert Dowds,	Deputy Kieran O'Donnell,
Deputy Sean Fleming,	Deputy Shane Ross.

DEPUTY JOHN MCGUINNESS IN THE CHAIR.

The committee met in private session until 10.25 a.m.

Mr. Seamus McCarthy (*An tArd Reachtaire Cuntas agus Ciste*) called and examined.

Business of Committee

Chairman: Item No. 1 is the minutes of the meeting of 18 April which have been circulated. Are they agreed? Agreed.

On item No. 2, matters arising from the minutes, a note from the committee liaison officer has been circulated to members on the bodies that fall outside the remit of the Comptroller and Auditor General, with a note on the accountability of the Central Bank. Do members have questions? I believe Deputy Shane Ross was to-----

Clerk to the Committee: I have not yet completed my discussions with him.

Chairman: However, that letter is to be sent. Is that so? We are still doing it.

Clerk to the Committee: Yes, that is right.

Chairman: Item No. 3 is correspondence received since 18 April. No. 3A is correspondence from Accounting Officers. No. 3A.1 is correspondence, dated 9 April 2013, from Mr. John Tierney, chairman of the Dublin Docklands Development Authority, forwarding information previously requested by the committee regarding its examination of Special Report No. 77 of the Comptroller and Auditor General on the Dublin Docklands Development Authority. The correspondence is to be noted as we have already discussed the matter.

No. 3A.2 is correspondence, dated 25 March 2013, from Mr. Dermot Quigley of the expenditure policy evaluation and management division of the Department of Public Expenditure and Reform providing information requested at the meeting of 7 March on property leases. The correspondence is to be noted and published.

No. 3A.3 is correspondence, dated 23 April 2013, from Ms Niamh O'Donoghue, Secretary General of the Department of Social Protection, providing further information requested at the meeting of 14 March.

Deputy Kieran O'Donnell: Before we proceed, on the Dublin Docklands Development Authority, is the site currently in NAMA? We should consider calling representatives of NAMA as witnesses as they would have considerable knowledge. They have all of the documentation and would know. There is a major legal aspect to how the site was acquired. Representatives of the Dublin Docklands Development Authority will appear before the committee next week. In terms of witnesses to invite thereafter, it might be worth considering NAMA also.

Chairman: In the context of what we might hear next week, representatives of NAMA and other witnesses can be considered, once we have an idea of where we are going with it.

No. 3A.3 is correspondence, dated 23 April 2013, from Ms Niamh O'Donoghue, Secretary General of the Department of Social Protection, providing further information requested at the meeting of 14 March 2013. The correspondence is to be noted and published. Deputy Paschal Donohoe raised this matter last week. We will be examining the issue of work activation measures at our meeting on 4 July. A representative from the Department of Social Protection will

attend that meeting.

Regarding the leases mentioned in item No. 3A.2, we will not do it today, but we should examine that matter.

Clerk to the Committee: He has only given us a holding reply to say he is getting the information.

Chairman: Therefore, we do not have the details.

Clerk to the Committee: We have not received the details.

Chairman: The clerk should flag the issue to ensure we receive a response.

Item No. 3B is individual correspondence. No. 3B.1 is correspondence, dated 23 March 2013, from Mr. Pat Geoghegan, secretary of the Irish Environmental Forum, regarding the Environmental Protection Agency. The correspondence is to be noted. Mr Geoghegan has raised issues regarding the competency of the EPA. It appears that his interpretation of a report on air quality differs from that of the Department. His latest letter suggests the emissions from certain industries are costing €1 billion. If that was the case, I am sure it is a matter that would feature in the reports of the Comptroller and Auditor General. Therefore, I ask the Irish Environmental Forum to be more specific about the failures of the EPA. It will be up to members to follow up on this issue when representatives of the EPA appear before the committee on 27 June.

No. 3B.2 is correspondence, dated 15 April 2013, from Professor Niamh Brennan, former chairperson of the Dublin Docklands Development Authority, regarding the committee's examination of Special Report No. 77 of the Comptroller and Auditor General on the Dublin Docklands Development Authority. The correspondence is to be noted. This matter was discussed in the earlier part of our meeting.

No. 3C is documents relating to the committee meeting of 25 April. No. 3C.1 is correspondence, received on 22 April, from the Health Service Executive regarding briefing papers on matters to be considered at today's meeting. The correspondence is to be noted and published.

No. 3C.2 is correspondence, received on 25 April, from the Health Service Executive regarding the opening statement. The correspondence is to be noted and published.

No. 4 is reports, statements and accounts received since our meeting on 18 April. Items Nos. 4.1, 4.2 and 4.3 are listed. If members wish to raise queries, they may do so now or else contact the clerk if they want them to be included in the agenda.

The work programme is now on screen. At last week's meeting members expressed concern about the fact that the committee was examining the accounts for 2011 when the accounts for 2012 should have been finalised. This matter was raised in respect of the broadcasting fund, but it has wider implications, especially at this time of the year. I have been advised that the same issue will arise in respect of IDA Ireland, the representatives of which are scheduled to appear on 30 May. It might be appropriate to defer that meeting until September and we may schedule other business for that day. If we delay the meeting with IDA Ireland, we will be able to carry out a more complete and up-to-date examination. This is an issue we will consider as we invite witnesses to appear. It is proposed to reschedule the meeting with IDA Ireland and to take its accounts for 2011 and 2012 together. Is that agreed? Agreed.

Is the agenda for our meeting with representatives of the Dublin Docklands Development

Authority on Thursday, 2 May agreed? Agreed. It will be held at 10 a.m.

At our meeting on 28 February we left open the position on Vote 26 - Education and Skills, as further information was required. The Department has since furnished detailed information and I ask for members' agreement to note the Vote. The Accounting Officer is due to come before the committee again to deal with specific issues. It would be appropriate, in preparing for the next meeting, if the Vote was not part of our agenda, particularly as the information requested has been submitted. Is that agreed? Agreed.

2011 Annual Report of the Comptroller and Auditor General and Appropriation Accounts

Vote 40 - Health Service Executive

Health Service Executive Financial Statements 2011

Mr. Tony O'Brien (*Deputy Chief Executive and Director General Designate, Health Service Executive*) called and examined.

Chairman: I remind witnesses, members and those in the Visitors Gallery to turn off their mobile phones because they interfere with the sound quality of the transmission of the meeting.

I advise witnesses that they are protected by absolute privilege in respect of their evidence to the committee. If they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against a Member of either House, a person outside the House or an official by name or in such a way as to make him or her identifiable. I remind members of the provision within Standing Order 163 that the committee should refrain from inquiring into the merits of a policy or policies of the Government or a Minister of the Government or the merits or the objectives of such policy or policies.

I welcome Mr. Tony O'Brien, director general designate of the Health Service Executive, and ask him to introduce his officials.

Mr. Tony O'Brien: I am accompanied by Ms Laverne McGuinness, chief operations officer and deputy director general designate; Mr. Barry O'Brien, national director of human resources; Mr. Paddy McDonald who is acting as national director of finance; and Mr. Liam Woods, national director of shared services.

Chairman: Will the official from the Department of Public Expenditure and Reform, please, introduce himself?

Mr. Tom Heffernan: I am from the sectoral policy division.

Chairman: I now call on the Comptroller and Auditor General, Mr. Seamus McCarthy, to

introduce the accounts.

Mr. Seamus McCarthy: As the Chairman stated, the committee is examining the accounts for 2011 of the Health Service Executive. To give the background, it may be useful to explain that the HSE is required to produce two sets of accounts each year - the financial statements prepared on an accruals basis and a cash-based appropriation account for Vote 40. The accounts in question provide two views of the same set of financial transactions and balances, with different forms of analysis and detail. Two audit reports also issue. The HSE publishes the accruals-based financial statements each year, with its corporate annual report. The statements for 2011 were presented to Dáil Éireann around the first week of June last year. The HSE's appropriation account for 2011 was published by me, together with all of the other appropriation accounts, last September. The audit of the HSE's financial statements for 2012 is almost complete and I expect to sign off on it around mid-May. The audit of the appropriation account for 2012 is ongoing and should be completed by July.

The appropriation account indicates that the HSE's gross expenditure in 2011 amounted to €13.9 billion. The outturn was approximately 4% below the 2010 gross expenditure level and 8% below peak expenditure in 2009. Appropriations-in-aid in 2011 amounted to €1.45 billion, down from €3.5 billion in 2010. The decrease reflects the ending of earmarked health contributions collected through the PRSI system with effect from 1 January 2011, when the universal social charge was introduced. The outturn for 2011 was close to the amount appropriated by Dáil Éireann, resulting in a surrender of just under €16 million. This was achieved after provision to the HSE of an additional €148 million by way of a Supplementary Estimate in December 2011. Two thirds of the additional provision was for increased spending under subhead B6 which covers spending on medical card schemes and community services. The outturn for these services was €2.58 billion, which was 6.8% above the original Estimate for the year. The provisional outturn for 2012 indicates that spending in these areas continued to run ahead of the Estimate provision last year, ending approximately 9% up on the Estimate provision. This was one of the main reasons a Supplementary Estimate, amounting to a net €360 million, was also required in 2012.

The financial statements present an analysis of the HSE's expenditure that distinguishes between pay and non-pay elements. The HSE's direct pay expenditure in 2011 amounted to just over €5 billion, or 36% of the total spent. This included pension payments to retired staff totalling €567 million and payments to agency staff amounting to some €177 million. Grants to outside agencies in 2011 amounted to €3.5 billion or 25% of the total. This includes funding of the order of €2.5 billion to voluntary hospitals and other major agencies providing services on behalf of the HSE, mainly in the disability and mental health sectors. A further €1 billion was distributed as grants to some 3,000 smaller agencies, including community and voluntary bodies providing a wide range of services ancillary to the HSE's activities. A significant part of that grant funding is also applied in the payment of staff salaries and pensions.

The audit report on the financial statements draws attention to note 35 which deals with the matter of entitlement to means-tested medical cards. At the end of December 2011, a total of 1.7 million medical cards and 126,000 GP visit cards were in issue. The total related expenditure in 2011 was in the region of €1.8 billion. Administration of the card issuing and renewal system was centralised in July 2011. Changes were made in the related control systems and procedures were standardised. Following the centralisation, over 231,000 applications for the renewal of expired cards were processed. Of these, 97.5% were renewed. However, 1.2% of applicants were found not to be eligible for a new card and almost 1.3% were found to be eli-

gible for the more limited GP card instead of a full medical card. The review process did not record the financial impact incurred, such as the cost of services provided in respect of ineligible persons while they held cards. This matter is being examined in more detail in the course of this year's audits and, depending on the outcome, I may report further on the matter.

Chairman: I invite Mr. O'Brien to make his opening statement.

Mr. Tony O'Brien: I thank you, Chairman and members for the invitation to attend today's meeting to discuss Vote 40, Health Service Executive and the Annual Financial Statements 2011.

Prior to the meeting we submitted an information pack to the committee, which among other matters, provided an update on the recommendations in the committee's recently published report on the Health Service Executive. We will be happy to take any follow-up questions on the information provided or other related matters. I propose therefore to keep my opening statement brief.

The HSE delivered a balanced Vote in 2011 and delivered the national service plan commitments within its funding provision against very challenging resource constraints, both in financial and staffing terms. It is a statutory requirement of the Accounting Officer that no overspending of the Vote takes place. In practice, it is almost impossible to achieve an exact break-even position on a gross Vote outturn of €13.687 billion and it is inevitable that, in accordance with prudent management, a small surplus will be returned to the Exchequer. The surplus surrendered in respect of 2011 was €15.781 million, which amounts to 0.1% of the net 2011 allocation of €12.46 billion. A Supplementary Estimate of €148 million was voted by the Dáil to the HSE at the end of 2011. This comprised €58 million due to a shortfall in funding in 2011 arising from a lower than anticipated uptake in the early retirement and voluntary redundancy schemes implemented at the end of 2010 and; €90 million to meet deficits in services, specifically in the community drugs schemes, the acute hospital sector and child welfare and protection services.

The €148 million Supplementary Estimate was offset by savings of €40 million in the Vote for the Office of the Minister for Health. The HSE reported a surplus in the revenue income and expenditure account of €98.426 million for 2011, compared to €123.924 million for 2010. A substantial element of this surplus is technical in nature and is attributable to the differences between the differing bases of accounting under accruals and Vote accounting rules. Funding for capital projects in 2011 amounted to €345.424 million, of which €204.311 million was expended on HSE capital projects and €132.755 million on capital grants to service providers.

Developing a robust and fit-for-purpose financial system is a priority for both the HSE and the Department of Health. In that regard the Ogden review was commissioned by the Department of Health in May 2012 and the report was completed in July 2012. The review looked at financial processes; budgeting; reporting; performance management and escalation and governance and leadership. The key purpose of the review was to recommend where the focus of a strategy for financial performance management should be. The recommendations ultimately led to the Department of Health commissioning further work to focus on implementing change in relation to key issues highlighted in the review. This further work was commissioned in July 2012 and a report was issued in September 2012 and was undertaken in the context of predicted continued significant financial overruns and a need to provide assurance to Government and to the troika in relation to the financial position of the health sector.

The report highlighted the need to take immediate action to improve the financial management systems in health. A key priority for me on my appointment in August 2012 was to stabilise HSE finances and to implement the actions outlined in the second review, the PA review, commissioned by the Department. The engagement of PA by the HSE is one of the first steps in the financial reform of the health service which is a central element of the overall reform programme. This work is well under way and is due to be completed in the coming weeks and will lay the foundations for further financial reform. The appointment of a new chief financial officer to the HSE is also central to driving forward the changes needed to develop the finance function in the context of the wider health reform programme including: money-follows-the-patient and universal health insurance. The selection process to fill this post is currently under way and is due to be completed shortly.

The HSE has an internal audit directorate, led by a national director and includes very experienced audit staff. The directorate also avails of external specialist support, particularly in the form of ICT audit. The work of the internal audit directorate is overseen by the HSE's audit committee. The directorate regularly briefs the Office of the Comptroller and Auditor General on the results of its work. A substantial body of internal audit reports are completed each year, covering a wide range of topics. HSE internal audit reports are periodically released.

I am committed to further strengthening the internal audit function of the health service as a key control measure during the period of structural transition that lies ahead. Financial reform in all its forms is a key component in the ongoing health reform programme and one that will continue to be a major focus for us. That concludes my opening statement.

Chairman: Can we publish the statement?

Mr. Tony O'Brien: Yes.

Deputy Mary Lou McDonald: Go raibh maith agat, a Chathaoirligh, agus fáilte romhaibh uilig. The witnesses are welcome. I was struck by something in Mr. O'Brien's opening statement. The HSE does not have a good track record in terms of staying within budget. In the Supplementary Estimate he outlined amounts of €148 million in 2011 and €360 million in 2012. I was curious to hear reference to the return of a surplus. Could he outline more detail on the matter? The terms "surplus" and "HSE" are not linked in the public mind.

Mr. Tony O'Brien: Deputy McDonald's comments are correct. The terms are not very much linked in the public mind. However, in Vote terms, following the granting of a Supplementary Estimate at the end of the relevant financial year the amount of cash-on-hand at the closing date was in excess of the requirements of the service at that point in time. The requirement is to return the surplus.

Deputy Mary Lou McDonald: It is a surplus, beyond the Supplementary Estimate.

Mr. Tony O'Brien: Yes, it is beyond the Supplementary Estimate.

Deputy Mary Lou McDonald: We need to tease out what that means in funding terms because, technically, a surplus was returned but the HSE was only in a position to return a surplus having been in receipt of a Supplementary Estimate.

Mr. Tony O'Brien: That is correct.

Deputy Mary Lou McDonald: Would it be fair to say that we have an ongoing issue in

respect of the adequacy of the funding afforded to the HSE?

Mr. Tony O'Brien: To the extent that in the year in question, and in other years that the Dáil has voted for Supplementary Estimates, that is for the purpose of ensuring that the funding available in that year is adequate to meet the demands in that year.

Deputy Mary Lou McDonald: I understand that, but I refer to the initial Vote of funds to the HSE. I am not doing this to get into a finger-pointing exercise or a blame game, this is the responsibility of the Oireachtas – of the Government in the first instance – to vote the moneys. We have fallen well short in 2011 to the tune of €148 million and then in 2012 to the tune of €360 million. They are not trifling sums of money. It is not a small margin of error, it is a significant shortfall. That suggests to me that we consistently underestimate and under-fund the HSE. Does Mr. O'Brien agree?

Mr. Tony O'Brien: In regard to 2011, I have itemised the specific line items that gave rise to the Supplementary Estimates. If we break them down, €58 million arose directly from a lower than anticipated uptake in the early retirement and voluntary redundancy schemes. In that instance it is a mismatch between the expected number who would avail of the schemes and the number who did. To that extent one could say there was an inadequacy in the estimation of the outflow and therefore the resulting financial impact. A total of €90 million was to meet deficits in services which means that the cost of those services exceeded what was expected. I refer in particular to community drugs schemes which were demand-led. One could take the view either that those responsible for preparing the estimate of the likely cost of those under-shot, let us put it that way, or one could take the view that insufficient money was provided. That is very much a judgment call. If one looks back at the year and taking account of what in relative terms was a small return of funding proportionate to the overall funding, it was necessary for there to be a Supplementary Estimate for the HSE's vote to be balanced in that year.

Deputy Mary Lou McDonald: Does the HSE take the same view in respect of the year 2012, in which the Supplementary Estimate was more substantial?

Mr. Tony O'Brien: In 2012 as we know, it is clear that a number of the anticipated changes in costs and other measures did not materialise as originally anticipated.

Deputy Mary Lou McDonald: For example?

Mr. Tony O'Brien: For example, the savings target in the hospital sector proved not to be achievable. Consequently, the hospital sector ended last year with a €271 million deficit. We also know there were challenges in the area of the medical card scheme and the related schemes. Therefore, the overall cost of providing those was substantially in excess of what had been expected at the beginning of the year.

Deputy Mary Lou McDonald: Whatever about Mr. O'Brien's judgment call on whether it was insufficiency of funding or underestimation and whichever judgment one makes, there is now an established pattern of a shortfall and the necessity of a Supplementary Estimate. The reason I ask this question of Mr. O'Brien is not so much with an eye on 2011 but more with an eye to the future and the €721 million earmarked for savings this year under the HSE's national service plan. I want to ask Mr. O'Brien some questions in this regard. From where does he envisage these savings coming? I ask particularly in light of my understanding that up to the end of February 2013, the HSE was demonstrating a net overspend of €13 million. In other words, the HSE already is in deficit position and were Mr. O'Brien in a position to give me a

more up-to-date figure, I would appreciate it. Given that it is now the end of April, what is the deficit's current size? From where are these savings of €721 million to come?

Mr. Tony O'Brien: The figure of €721 million is detailed fully in the 2013 service plan. A copy of the service plan was included in the prepack provided to members and the relevant page is page 3. As Deputy McDonald will see, the primary care reimbursement service, which is related to both legislative changes and other efficiencies, is to produce €323 million of those savings. A further €106 million is attributable to pay and flexibility arrangements arising under the existing public service agreement. There are unallocated pay savings of €150 million, which in broad terms is what was anticipated under Croke Park II, as well as €108 million in other measures that are detailed elsewhere in the target and €34 million in terms of statutory income. A big proportion of these savings is attributable to changes in the cost of providing service by way of workforce-related matters. The substantial other component relates to changes in the cost of providing schemes, which are the product of changes in eligibility and co-payment issues with some reductions in costs, particularly under the Irish Pharmaceutical Healthcare Association, IPHA, agreement, and a number of changes that we are pushing forward, for example, in the medicines management programme, which is designed to increase the number of lower-cost drugs that are prescribed as a proportion of the total.

Deputy Mary Lou McDonald: Okay.

Mr. Tony O'Brien: As for the Vote position, at the end of March the Vote return shows that our capital spend was €25 million below profile, our revenue spend was €7 million above profile and the net position in Vote terms is €18 million to the good, as it were.

Deputy Mary Lou McDonald: Mr. O'Brien should translate what he means.

Mr. Tony O'Brien: In other words, our overall expenditure is €18 million below profile for the first quarter. That takes account of a €25 million underspend on the capital side and an overspend of €7 million on the revenue side. In this regard, however, I must caution that many of the challenges which relate to the saving targets set out on page 3 by their nature are timed to have their impact in the latter stages of the year. Some of those already are already having a positive impact but the great proportion of them are not scheduled to have had an impact in the first quarter.

Deputy Mary Lou McDonald: My understanding, if I have this right, is that at the end of February, the HSE was running a €22 million deficit on revenue. Mr. O'Brien has now stated, according to the figures he has provided, that the HSE has a revenue deficit of €7 million. Is that correct?

Mr. Tony O'Brien: Is Deputy McDonald taking these figures from a Vote report?

Deputy Mary Lou McDonald: Yes.

Mr. Tony O'Brien: There has been an improvement in the Vote position, largely through the kicking in of a number of measures related to the primary care reimbursement service.

Deputy Mary Lou McDonald: Okay.

Mr. Tony O'Brien: The position has improved in March over February.

Deputy Mary Lou McDonald: All right.

Mr. Tony O'Brien: Consequently, the net position in Vote terms is as I have outlined it to the Deputy.

Deputy Mary Lou McDonald: Bluntly, is Mr. O'Brien satisfied the €721 million in savings are achievable? Is he satisfied the HSE will not require a Supplementary Estimate again this year?

Mr. Tony O'Brien: In the service plan, we have outlined where we perceive the particular risks to be. The Deputy has mentioned some of those risks and I will reiterate them. At present, it is clear the Croke Park II agreement has not been achieved and €150 million of savings are associated with that or with a replacement for it. In addition, a further €106 million has been specified as being related to pay and flexibility arrangements under Croke Park I. Clearly, while the health service has proved to be an effective environment in which to extract flexibility issues in recent years under Croke Park I, obviously I have some concern that, in the current environment, we would need to be certain of the industrial relations environment and the Croke Park II environment in order to be absolutely certain of delivery in that regard. However, for the present time, as the Deputy is aware, at a central Government level a process is now in place by central Government, which is designed to address the result of the Croke Park II ballots and until we know the outcome of that, it is difficult to be certain what will be the outturn in respect of those two issues.

Deputy Mary Lou McDonald: Has the HSE made contingency arrangements or has it begun to consider where it might find this saving of €150 million that, had the Croke Park II deal gone through, had been anticipated? As Mr. O'Brien is aware, it was roundly rejected.

Mr. Tony O'Brien: Yes, and as Deputy McDonald will be aware, it is the position of central Government that it intends to deliver pay-related savings of that order and, consequently, it would not be appropriate at this time for the HSE to begin examining other ways of reducing expenditure at that level because that would involve cuts in services, which is not what is intended.

Deputy Mary Lou McDonald: Obviously, a gap of €150 million in the HSE's calculations is a highly significant figure. Has Mr. O'Brien spoken to the Minister in this regard in the wake of the Croke Park II agreement being defeated? Has Mr. O'Brien sent an alarm bell up the system and what contact has there been?

Mr. Tony O'Brien: There has been discussion with the Department and the Minister. Clearly, the Minister is innately aware of the importance of these savings. However, as I stated, this is a matter that is not specific to the health service. This is a public sector-wide issue and as recently as its recent meeting this week, the Government has made clear its intention to further this issue. For the time being, it is not appropriate for the HSE to begin to consider alternative ways to leverage that kind of cost reduction. This is because first, this is not profiled until 1 July onwards or in other words is a second-half issue. Second, in the absence of measures that reduce our costs, it would be extremely challenging to begin to extract that level of saving from the direct provision of services. As it would have a highly negative effect on the provision of health care, for the time being it is appropriate for us to await the outcome of the process the Government has initiated.

Deputy Mary Lou McDonald: As the person who is in charge of the HSE, Mr. O'Brien is the boss and has nurses and all grades of professionals, as well as clerical grades and so on working on his watch. In his discussions with the Minister, has Mr. O'Brien ever suggested that

seeking to find the aforementioned €150 million in savings through a cut to pay perhaps was not the most advisable course of action?

Mr. Tony O'Brien: It is fair to say that everyone involved in this process is aware of the significant challenge involved in reducing the input cost of staff and personnel while at the same time seeking to sustain an environment in which staff throughout the health service are consistently delivering more with less funding and we are acutely aware of the need to maintain the most positive industrial relations environment.

Deputy Mary Lou McDonald: Does Mr. Tony O'Brien think, for instance, that a staff nurse should be taking a pay cut? He is in charge. He must have a view on where people are at. Should there be a pay cut for a staff nurse on €30,000 who, as he stated, is under pressure and doing more with a whole lot less? Mr. Tony O'Brien is the management guy. The human resource director, Mr. Barry O'Brien, is present. Is that good for the profession and for the service? Is it good for morale?

Mr. Tony O'Brien: The issue of policy in regard to pay rates in the public service is a matter for the Minister for Expenditure and Reform.

Deputy Mary Lou McDonald: I understand that. I would have thought that the issue of good management practice, staff retention and morale would be clear management concerns for Mr. Tony O'Brien and Mr. Barry O'Brien, and I would have thought that Mr. Tony O'Brien would have a view on it. Given that Mr. Tony O'Brien is in charge, I also would have thought that he would express a view to Government on that.

Mr. Tony O'Brien: We are obviously concerned to maintain a workforce that is sufficient for the needs of the health service and appropriately motivated to deliver the kinds of service that we need. Clearly, the most important resource we have is our personnel. Deputy McDonald is effectively asking me to comment on the basis of current Government policy in regard to the Croke Park II process and at this time I do not think it would be helpful for me to do so.

Deputy Mary Lou McDonald: As the top manager of the HSE, has Mr. Tony O'Brien a duty of care to the staff who work in the health service?

Mr. Tony O'Brien: Clearly, I do.

Deputy Mary Lou McDonald: Would that include expressing a view to Government in respect of changes to pay, terms and conditions and the knock-on effect that would have on his staff and on the service for which he is responsible?

Chairman: I would remind Deputy McDonald that the overall position is one of policy and to frame her question accordingly.

Deputy Mary Lou McDonald: I am not asking Mr. Tony O'Brien to comment necessarily on Government policy. I am asking him a management question. He is in charge, not only to account for the numbers - the pounds, shillings and pence - but also for the good governance and management structure of the HSE. That is his job. I am asking him in respect of his duty of care to the staff within the service. He acknowledged that he has such a duty. I would have thought logically, therefore, he would have a view and that he would express that view, and if he is not going to express it at committee, that he would certainly express it to the Minister.

Mr. Tony O'Brien: Is Deputy McDonald asking me whether I have a view and if I have

expressed it to the Minister-----

Deputy Mary Lou McDonald: Yes.

Mr. Tony O'Brien: -----as opposed to asking me to express the view?

Deputy Mary Lou McDonald: My strong preference is for Mr. Tony O'Brien to express the view here-----

Mr. Tony O'Brien: I am happy to confirm that I have a view.

Deputy Mary Lou McDonald: -----but if he is not going to do that, I will go for option No. 2.

Deputy Kieran O'Donnell: Mr. Tony O'Brien can express the view that he expressed to the Minister.

Mr. Tony O'Brien: I can confirm that I have a view and I can confirm that I have expressed views in regard to this matter to the Minister but I do not think it appropriate to express that view here.

Deputy Mary Lou McDonald: I would consider it more than appropriate, in fact, necessary, that in Mr. Tony O'Brien's position, he would have an eye on the terms and conditions of staff who work on his watch and on whom he and we rely to deliver services. I have instanced nurses but I could equally refer to his clerical staff. There was a controversy around the issuing of medical cards for a long time and the time-lag involved. Even if Mr. Tony O'Brien will not tell me, I hope that he told the Minister that there are significant numbers of staff in the service that he manages who simply cannot bear another cut. I also hope in respect of this €150 million that Mr. O'Brien, somewhere in the system, has his thinking cap on in terms of alternative methods of finding that money other than skinning public servants again. Let me hasten to add, I view medical consultants in a different category from others I have mentioned.

In respect of medical cards, there was some change to the eligibility criteria in respect of the over 70s and I understand that would result in a reduction of some 20,000 in the number of those holding a full medical card. The HSE did something that I thought was a little sneaky in changing the criteria for assessable income and, therefore, eligibility, and also in removing matters such as home-improvement loan payments and excluding the €50 per week travel-to-work expenses. This was done quietly, and over the Easter break. Mr. O'Brien has obviously taken the decision to do that. I need not tell him that it will cause difficulties for persons across the State and we will hear about it in our constituency offices but I want to press the issue with him. Did the HSE issue a press release on this matter? Did it brief the media? It was done very quietly. In the course of discussions in the Oireachtas, my colleague, Deputy Ó Caoláin, asked repeatedly for an account to be given of where the 40,000 drop would happen in the medical cards. We could identify 20,000 in respect of the over 70s. We could not find the other 20,000 until we got this e-mail over Easter.

Mr. Tony O'Brien: I will ask my colleague, Ms Laverne McGuinness, to go through the detail. I should emphasise that the decisions were not HSE decisions but Department of Health decisions and I do not think a broad-based communication to every Member of the Oireachtas by the HSE can fairly be characterised as sneaky.

Deputy Mary Lou McDonald: Over the Easter break.

Mr. Tony O'Brien: Whenever it was, once the decision was made we communicated it. So that we are clear and have the correct details on the record, I will ask Ms McGuinness to go through those details.

Ms Laverne McGuinness: In terms of the changes themselves, it is both for the over 70s and the under 70s as well. For the over 70s, there was a change in the income guidelines, from €700, if it was a single person, down to €600, but on the basis that if one was between €600 and €700, rather that get a medical card one could get a GP visit card. Then, for couples, it was double that - €1,200 and €1,400 - and the same rules applying in that one could get a GP visit card if one is within the €1,200 and €1,400 assessment.

In terms of the under 70s, we did say - we set it out in our service plan - that there would be a review of cards. There were two aspects on which that is being carried out. One is in terms of the reduction of what is known as the assessable income as part of the income guidelines, and it is the home-improvement loans. The other one was that the first €50 in regard to travel-to-work expenses and depreciation of cars be disallowed when making one's calculations in terms of whether or not one would be entitled to a medical card. That was set out in the service plan. It was over that period, the end of March, that the policy and the legislation to give effect to it was in train but we did flag it up. It was notified in that regard.

It is important to note that we did say that 100,000 new persons will be availing of medical cards this year. An additional 130,000 GP visit cards will be availed of this year as well.

Deputy Mary Lou McDonald: I thank Ms McGuinness for that. I made my point. Mr. O'Brien may not have considered it to be sneaky but the reason I make that charge - perhaps it is more correctly said to the Department of Health - is because questions had been asked repeatedly in terms of from where these 40,000 reductions were coming. The over 70s matter was flagged comprehensively and was understood, but in the case of the additional portion it was like trying to get the third secret of Fatima.

On the previous occasion Mr. O'Brien was before the committee, in the committee's report in respect of the HSE we had raised the issue of consultants signing off on private insurance forms and the difficulties arising from that. Can Mr. O'Brien update us on where that sits now? Are they complying with it? Are they doing it within the 14-day window? Are there still moneys outstanding and if so, how much?

Mr. Tony O'Brien: There was a document included in the pack in relation to this. The 14-day period is 20 calendar days. It is 14 working days. The number of days taken for consultant sign-off is reducing steadily. In 2010 it was 62 days, and in 2012 it was 44 days. We are very confident that as this year progresses, it will indeed be 20 days. Obviously, we are conscious that there is a tail and, therefore, a certain amount of catch-up to be done. One of the issues of concern is that as we reduce the period taken to process claims on our side, which includes both the preparation of the documentation and the signing off by the primary consultant, we are experiencing a lengthening of the tail on the other side. Of the time taken between the conclusion of treatment and the receipt of the relevant funding or income from the private health insurance sector, about 60% used to lie on our side. As we progressively reduced the proportion of time, we are seeing a corollary increase in time so that the overall time that it takes for us to get the cash is increasing. At present, there is not a hard and fast deadline for the private health insurance sector to return funding. We are in active discussion with the Department of Health, particularly in the context of the impending legislation which will remove the issue of private bed designation, to examine how best we could arrive at a situation where there is timely payment

of the income once the forms are signed.

Deputy Mary Lou McDonald: How much is outstanding?

Mr. Paddy McDonald: I can give Deputy McDonald the figures for the end of the year. Just to be clear, there are four categories of claims. We are dealing only with the claims awaiting the primary consultant action. At the end of December 2011, the amount outstanding was €70.4 million. At the end of December 2012, the amount was €61 million.

Deputy Mary Lou McDonald: Does Mr. McDonald have a more up-to-date figure?

Mr. Paddy McDonald: I do not.

Deputy Mary Lou McDonald: The delegation says the time taken by consultants to sign off on the forms has reduced from 62 days to 44 days. The target is 20 days. Can the delegates not be more clear on the current position? Is it 40 days?

Mr. Tony O'Brien: It is variable across all sectors.

Deputy Mary Lou McDonald: Clearly, it is variable but the HSE must determine an average from the statistics.

Mr. Tony O'Brien: We expect the overall average for this year to be in the region of 30 as it decreases from 44 to 20. This relates to the fact that there is a significant tail that needs to be brought through.

Deputy Mary Lou McDonald: Let us not go over how this was allowed to happen. This matter has been raised at this committee and elsewhere. It is absolutely scandalous that there is €61 million in revenue outstanding because medical consultants have not signed off on the forms. This is part of their job; it is not a-----

Mr. Tony O'Brien: The vast bulk of that will be in respect of consultants who are within terms. In other words, even where all forms are being signed within the required time, because of the overall cash involved in the course of the year there will always be a significant sum associated with forms that are in process, prior to their being ready for consultant sign-off and during the period for consultant sign-off and the separate period when they are with the insurance company.

Deputy Mary Lou McDonald: That might be the case. If I am not mistaken, I understood from the HSE that it had identified tardiness on the part of medical consultants as a problem.

Mr. Tony O'Brien: It is, absolutely.

Deputy Mary Lou McDonald: It is a problem.

Mr. Tony O'Brien: It certainly was.

Deputy Mary Lou McDonald: Let us just say that out loud before Mr. O'Brien enters in all the qualifications.

Mr. Tony O'Brien: I have been very clear with this committee before, and we have had this discussion. I have certainly never suggested that it is acceptable for there to be a long and inexplicable delay in the signing of forms.

Deputy Mary Lou McDonald: So why is it taking so long to decrease from the 62-day margin, which obtained in 2010, to 20 days?

Mr. Tony O'Brien: When we went through this before, we explained that the vast majority of consultants do sign forms in a prompt way. We have very much focused-----

Deputy Mary Lou McDonald: I am interested in those who do not.

Mr. Tony O'Brien: We are focused on the outliers. As one moves those outliers into compliance, it has a significant impact in terms of their piece, but it is diluted by the overall volume of claims we are discussing.

Deputy Mary Lou McDonald: I am not sure that I buy that.

Mr. Tony O'Brien: I am afraid it relates to the law of averages, essentially. As one brings in what is a relatively small number of outliers-----

Deputy Mary Lou McDonald: I know that there are those who are fully in compliance and I expect that. Those who are in compliance are not an issue for us. It is the ones who are not complying that are causing us the difficulty. One would expect a professional to comply. While the HSE speaks of a reduction from 44 days to perhaps 30 days, and then a reduction to perhaps 20 days, it should note the agreed period is 14 working days.

Mr. Tony O'Brien: Fourteen working days meaning 20 days.

Deputy Mary Lou McDonald: I know 14 working days amounts to 20 days. However, what is the HSE doing to arrive at the 20-day mark?

Mr. Tony O'Brien: There is significant engagement with consultants across the country. The averages in every location are reducing so we are seeing a significant improvement in the turnaround time for the forms in every location. The consultant body, particularly those who have been outliers, is responding to the terms of this agreement.

Deputy Mary Lou McDonald: What is the penalty for the outliers or the non-compliant?

Mr. Tony O'Brien: Ultimately, it is a disciplinary matter.

Deputy Mary Lou McDonald: Have any disciplinary actions been taken?

Mr. Tony O'Brien: There is no formal disciplinary action at this stage. That is because we are seeing that people respond to this new environment and are bringing their practices into line. We recognise that there is a transitional period. Provided we are seeing progress and people are co-operating, then it is not appropriate to proceed-----

Deputy Mary Lou McDonald: How long is the transitional period?

Mr. Tony O'Brien: As I have said, we expect full compliance to be achieved in the course of this year.

Deputy Mary Lou McDonald: Is there any other category of worker in the health service who would be afforded such a transitional period in respect of something as basic as doing one's paperwork and signing off properly on it?

Mr. Tony O'Brien: If it is appropriate, yes.

Deputy Mary Lou McDonald: Could I be given an example?

Mr. Tony O'Brien: The Deputy referred to duty-of-care issues earlier. In any situation where one is seeking to bring people into compliance, it is appropriate to afford an appropriate period in which it is to be done. Provided people are co-operating and moving in the right direction, it is appropriate to afford them that opportunity.

Deputy Mary Lou McDonald: I rather suspect that there are those who work for the HSE who would not accept that it is the *modus operandi* when dealing with them.

Mr. Barry O'Brien: As part of a comprehensive reform agenda under the public service agreement, we engaged with the consultants last September and both their representative bodies, the IHCA and the IMO. There is a clear agreement signed up to by all consultants that they will fully meet the requirement stipulating 14 days. They are actively participating to achieve the target. There is no doubt in any consultant's mind but that it is a full requirement of the job to sign the forms in the appropriate manner within the timeframe allowed.

Deputy Mary Lou McDonald: Does that agreement set out the transitional phase?

Mr. Barry O'Brien: It does say that once the documentation has been presented to the consultant for signing, this will be achieved within 14 working days.

Deputy Mary Lou McDonald: I understand that but what is the position on getting to that point?

Mr. Barry O'Brien: The organisations have said clearly that they fully support the 14-day period.

Deputy Mary Lou McDonald: Mr. Tony O'Brien has told me there is a transitional phase to coax the outliers into compliance. Is it just a general understanding that they will be brought along gradually, or did that form the basis of the agreement?

Mr. Barry O'Brien: No. Through our national director of finance, we have already written to each consultant individually highlighting what has been agreed and re-advising them of their responsibilities under their employment contract to co-operate fully.

Deputy Mary Lou McDonald: I would anticipate that but, in respect of the transitional phase for those who are not yet in compliance, Mr. Tony O'Brien has told me there is a gradual bringing along of the consultants to have them comply with the 20-day period. Is that just how the matter is being handled rather than a term of the agreement that was struck with the consultants?

Mr. Barry O'Brien: No, hospital CEOs, together with clinical directors, are having direct engagement with those consultants who are outliers and they are advising them of how far off the 14 days they are and requesting that they take immediate action. One could use the word "transition", implying it is taking some time, but there is a significant amount of direct intervention and action being taken to get to 14 days as quickly as possible.

Deputy Mary Lou McDonald: "Transition" was Mr. O'Brien's word, not mine. The agreement the HSE has with them was signed eight months ago. Is that right?

Mr. Barry O'Brien: Yes. The agreement clearly sets out a huge change agenda for consultants.

Deputy Mary Lou McDonald: Yes, I know; I am just checking the date, which was eight months ago. We are in a transitional phase and there has been gentle coaxing but no disciplinary action.

Mr. Tony O'Brien: If any individual is not co-operating, he or she would be liable to be subject to earlier action, but that is in the context of wider processes. For example, as set out in the briefing document provided for the committee, alongside this, we are increasing the number of sites that use the electronic claims process. About 51% of claims, by value, come from sites that use this process. By July, there will be an additional 22% of claims and by the end of the year 80% to 90% of claims will be in that space also. It is part of a wider process.

Deputy Mary Lou McDonald: That is fine, but my point is that eight months after an agreement was signed, which states clearly the 14 working day rule, the HSE is still not at that point by some margin. There has been no official sanction in that respect. I want to mark for Mr. O'Brien the clear contrast about which I am certain in the treatment of this issue for this set of workers and other workers within the HSE system, which I find extraordinary.

I am conscious of the time, but I want to ask Mr. O'Brien a final question on an entirely different topic. What lessons has the HSE learned from the death of Savita Halappanavar? I am not going into the area of policy or legislation. At the time, however, I was struck, particularly in the initial phases - Savita died on 28 October 2012 - that the HSE was slow and a bit clumsy in dealing with the family and her husband, in particular. What are the lessons the HSE has learned and what reassurance can Mr. O'Brien provide that lessons have been learned from an operational point of view?

Mr. Tony O'Brien: As members of committee will be aware, we have an international expert leading a clinical review of this issue who has not yet reported. We have specifically sought to provide time for Mr. Halappanavar or his representatives to engage with the chairman. A copy of the final draft report was provided for him in advance of the inquest. Naturally, during the course of the inquest, they did not wish to engage because they were obviously fully occupied with the inquest. They have now sought a meeting with the chairman of the review panel which will lead quickly to the publication of the report. I do not intend to say anything further about the matter until I have had sight of the report.

Deputy Mary Lou McDonald: I am referring not so much to the content of the report or the medical evidence that may emerge over time and that which has emerged but to the initial phases. I understood from Mr. Halappanavar that one of his primary worries at the outset stemmed from the fact that he had made contact with the HSE. His wife had died and had been brought back home to be buried. He had heard nothing from the HSE and made contact with the system. Without getting into the precise medical or care details within the hospital - I fully understand that is a separate day's work - I have an anxiety that that was Mr. Halappanavar's experience. I am asking in a general sense whether Mr. O'Brien has independently examined that turn of events. Does it raise concerns for him in terms of how the system interacts with a husband who loses his wife, or anybody else who loses a person in traumatic circumstances, that it is left to them to initiate the contact? That is worrying.

Chairman: I will take that as a statement rather than as a question because we are getting into an area which is not really one for this committee. I appreciate, however, the Deputy's concerns and why she wishes to raise the matter. Does Mr. O'Brien want to answer?

Mr. Tony O'Brien: I will respond briefly. Clearly, the circumstances of the death of Savita

Halappanavar are tragic in every respect. As I have said before, the situation in which Praveen finds himself is appalling. Having said that, I do not think it is appropriate to get into a detailed discussion at this forum about what did or did not happen at any given point in time in advance of the conclusion of the report commissioned from an international expert. That report will cover all aspects of the care provided and circumstances surrounding the death of Savita Halappanavar. It will be published shortly and there will then be an opportunity for all aspects of the matter to be discussed.

Deputy Mary Lou McDonald: Will the HSE, as an institution and as a body, learn lessons from it?

Mr. Tony O'Brien: The whole point of the exercise in undertaking the review which was carried out in accordance with the London protocol, an established process for clinical root cause analysis, is precisely to learn lessons. As the Deputy is aware, I also took the step of writing to HIQA and requesting it to carry out a statutory review of the wider issues involved. It is carrying out that process. The emphasis of what we have done in the aftermath of the death of Savita Halappanavar has been on putting in place processes designed to find out exactly what happened, what went wrong and what can be done in the future to avoid a recurrence. The process, therefore, is one of seeking to learn and improve.

Chairman: On the question of consultants, is it possible to get a list of four or five hospitals, without naming them? We have an average number of days of 62, 44 and 30. Can we receive a list of a number of hospitals indicating how many days they might be out, without naming the hospitals, in order that we can get beyond the average figure and look at the detail? It seems that it is a very ambitious target to reduce the number of days from 62 to 30 in 2013. I would like to see, perhaps during the course of this meeting, somebody giving us that information, the names of hospitals the HSE is dealing with, from the worst case down.

I call Deputy Connaughton who will be followed by Deputies O'Donnell, Dowds, Harris, Donohoe and Fleming.

Deputy Paul J. Connaughton: I thank Mr. O'Brien for attending and his opening statement. I wish to ask a general question on the reductions required in 2013. Of the figure of €721 million, how much of it has been achieved to date, now that we are one third of the way through the year?

Mr. Tony O'Brien: It is difficult to give a cash sum, but in terms of the profile in the first quarter, we are on target. However, we can provide the Deputy with a more detailed written answer on the matter.

Deputy Paul J. Connaughton: As of now, therefore, can Mr. O'Brien say we are on target to reach the figure of €721 million at the end of the year?

Mr. Tony O'Brien: No. We are on target in terms of the profile for the first quarter. As I said in earlier statements, there are significant issues concerning pay-related savings arising from Croke Park II and, by inference, Croke Park I. However, it is the position that the Government intends to provide measures which will achieve these savings. In terms of their profile in the year to date, we are on target, but the savings have not been profiled at this stage.

Deputy Paul J. Connaughton: I understand the situation in which the HSE finds itself, but is it correct to assume that if the money is not saved through payroll, it will be saved through cuts to services?

Mr. Tony O'Brien: In the absence of a third option, the overall financial numbers for the HSE are dependent on a figure of €150 million in payroll-related savings. If they are not found through that mechanism, they will have to be found though an alternative mechanism.

Deputy Paul J. Connaughton: Let me move to the fair deal scheme. How many are on the list waiting for the scheme to be approved?

Mr. Tony O'Brien: Ms McGuinness is looking up that information and will answer the question.

Ms Laverne McGuinness: The number of people who will avail of the fair deal scheme this year is 22,761. There are currently more than 600 people on the list, which figure changes from day to day. It can go as high as 700. Every week, 120 places are issued in respect of the fair deal scheme. It varies between 600 and 720.

Deputy Paul J. Connaughton: At the moment, the issue is that the scheme has been suspended.

Mr. Tony O'Brien: The fair deal scheme has not been suspended, although one aspect of its administration has been paused. That is the chronological list basis. Currently, priority for this - and possibly next - week has been given to those applicants who are awaiting discharge from acute hospitals. The fair deal scheme has not been suspended in any sense.

Deputy Paul J. Connaughton: I understand that and apologise for the words I used. The problem at the moment is that if one is in hospital long term, one stands a better chance of getting a bed through the fair deal scheme than someone who went through the normal procedures.

Mr. Tony O'Brien: That would be true but for the fact that prior to the current change being introduced, we accelerated the release of fair deal places. In March, we released 400 more places than would have been expected. Anyone who would otherwise have been waiting to take up - and was due to receive - a place in the community right now has already been allocated one. The two measures taken together mean that no one has been disadvantaged. Anyone coming from a community setting who was due a place has already been given it as we accelerated the release.

Deputy Paul J. Connaughton: Many members will have constituents who are awaiting the approval of a place for a loved one. I know an individual who thought he would be offered a place for his mother last Thursday, having waited for the normal four-week period. He is waiting to see if it will happen today. Is Mr. O'Brien saying he still has the same chance of getting a bed as someone who is in a long-term bed in hospital?

Mr. Tony O'Brien: It relates to the point at which a person went on the list.

Deputy Paul J. Connaughton: It was four weeks ago.

Mr. Tony O'Brien: In other words, if we had not accelerated the list, there would be 400 more people ahead of that person. That person's position is not disadvantaged with respect to what it would have been. However, we have also put in place a provision whereby any individual from whatever situation who believes he or she is experiencing undue hardship on foot of the temporary arrangement can contact the HSE and his or her circumstances will be examined. If we had not accelerated the 400 places, there would be 400 more people ahead in the queue.

Deputy Paul J. Connaughton: If someone contacts the HSE who has taken on the finan-

cial burden, which he or she can ill afford, of placing his or her loved one in a nursing home, how long will it take for a hardship review to be carried out?

Ms Laverne McGuinness: It is very quick - usually, within a couple of days. We have already dealt with two cases.

Deputy Paul J. Connaughton: Can the witnesses explain why the delayed charge, etc., was introduced for the two to three week period?

Mr. Tony O'Brien: We reached a situation in which a number of factors combined to create what the HSE regarded as a risk, in particular for elderly patients in acute sector hospitals. The first factor was the relatively late flu season and the other was the significantly higher than normal proportion of such patients attending at accident and emergency departments who required admission. As a result, it was necessary to implement a variety of measures to free up capacity in acute hospitals. One of the rate limiting steps on acute hospitals is the number of persons delayed in them pending discharge to long-term and, or, transitional care. We have put in place a significant number of additional transitional care beds. Due to the balance of risks involved, we have prioritised for a brief current period persons in acute hospitals who are being discharged for the precise reason that they are at greater risk in hospital and, more particularly, on foot of the risk factors which exist in respect elderly persons with respiratory illness who are excessively delayed on trolleys in emergency departments. The temporary arrangement has been for the benefit of older persons in all situations to ensure that those at greatest clinical risk have had their needs addressed.

Deputy Paul J. Connaughton: Therefore, no one is being disenfranchised from the HSE's perspective and everyone on the list will be taken care of in an appropriate period of time.

Mr. Tony O'Brien: Yes. That is particularly the case due to the acceleration that occurred in March when 400 extra places were released. In a sense, everyone on the list is four weeks ahead of where they would have been otherwise.

Deputy Paul J. Connaughton: Where are we currently in respect of the two to three week period?

Mr. Tony O'Brien: We are exactly in the middle. The changed arrangement came into force last Monday week. Typically, there is one release per week, which means we have had last week's and this week's releases. It is probably the case that the arrangement will remain in place for one further release.

Deputy Paul J. Connaughton: Does the HSE expect to have to do it again, all going well?

Mr. Tony O'Brien: No. The evidence is that the late flu season has peaked. It seems to have produced a particular demand for respiratory care for older persons which resulted in a much higher proportion of admissions among attendances. As the Deputy may be aware, that resulted in a significant increase in the number of patients recorded on trolleys awaiting admission. To manage that safely, it was necessary to make the change. It is a temporary measure and an appropriate response to a particular that issue that arose.

Deputy Paul J. Connaughton: I move on to the issue of agency staff and their use throughout the wider HSE. Is the HSE hoping to save this year on the agency staff payroll?

Mr. Barry O'Brien: Yes. It is the intention in 2013 to secure further reductions in our

reliance on agency staff. Due to the huge opposition from nursing union, we have had a small take-up of the Government-approved, graduate-nurse programme, which was a direct initiative to reduce our reliance of agency staff. In essence, given the employment control framework under which we currently operate, there will continue to be a need for agency staff in the health system.

Deputy Paul J. Connaughton: Are agency costs for January 2013 10% higher than they were in the same month last year?

Mr. Barry O'Brien: Costs are down somewhat. There are variables. The cost is down on the medical side.

Deputy Paul J. Connaughton: I am referring to the overall cost.

Mr. Barry O'Brien: There is a slight reduction.

Deputy Paul J. Connaughton: Is the HSE on target, therefore?

Mr. Barry O'Brien: The trend is that costs are declining in respect of agency staff.

Deputy Paul J. Connaughton: What is the up-to-date figure for spending on security and rent in respect of property within the HSE?

Mr. Liam Woods: I do not have exact figures on security and rent. If the Deputy gives me a moment, I will look at the annual financial statement where there was a figure stated in the note on lease costs.

Deputy Paul J. Connaughton: Is the HSE still looking to offload properties?

Mr. Liam Woods: Yes. The HSE disposed of approximately 20 leases last year. A consolidation is taking place.

Deputy Paul J. Connaughton: Is it hoped to offload more?

Mr. Liam Woods: There is a plan to do that. Some of what the Deputy refers to involves relocation to new facilities. While old facilities may close, new ones will open. Not all disposals will involve a net reduction.

Deputy Paul J. Connaughton: In my constituency in Galway, €1.4 million was spent on Toghermore House, a mental health facility, within the last two to three years. There is now an issue and the section may be closed. While I understand that Mr. Woods may not be familiar with the background, it is remarkable that €1.4 million could be spent on a facility within the last two to three years only to have the HSE close it. It was visited only a year ago by a Minister who commented on how state-of-the-art it was. Would Mr. Woods like to comment on that?

Mr. Liam Woods: Sadly, I am only too well aware of the situation to which the Deputy refers. It has been the subject of an internal audit report. I will ask Ms McGuinness to deal with the matter.

Ms Laverne McGuinness: The facility is not closed and is not closing at the moment. An issue arose in terms of the amount of money that was spent, which is the subject of an internal audit report. Fire safety regulations were not complied with which would have been had the project been appropriately procured in the first instance with the estates directorate. We have ensured for the benefit of the 18 residents that the facility is as safe as it possibly can be. How-

ever, it still does not have disability access but this is not an issue for current residents. The Mental Health Commission is carrying out a review of it. That amount of money also takes into account expenditure on the day facility and other facilities on the site that are being used.

Deputy Paul J. Connaughton: I take that on board but there was an issue with the residential section. There was much money put into the facility recently. Where is the internal audit at currently?

Ms Laverne McGuinness: It is our own internal audit report which is finalised. There is another piece of work that has to be done. We have asked the Mental Health Commission to assess the appropriateness of the facility for use as it currently is. The residents are still there and the facilities have been upgraded to ensure it complies with fire and safety regulations. The majority of the moneys spent did not have anything to do with the residential accommodation but the day rooms and the kitchen and catering facilities for the current residents.

Deputy Paul J. Connaughton: To link it in with the other shared services, there is another facility in Tuam, the old Grove hospital site, which has been lying idle for quite a number of years. How much money has been spent on its security and so forth? What is the plan to link the two services?

Mr. Liam Woods: On the Deputy's question on how much money is expended in these areas, there is a general heading in the annual financial statements showing office expenses, rent and rates of €149 million. On the particular property in question, I can get the breakdown for the Deputy for the rent and lease cost of this site if he passes me on the details.

Deputy Kieran O'Donnell: I welcome Mr. Tony O'Brien and his colleagues.

On the issue of the treatment of private patients in public hospitals, in September 2012 up to €74 million was outstanding for consultants' fee billings to private insurers. Of this figure, at the time we were told that between €5 million to €8 million was outstanding for more than 12 months. The overall outstanding figure has dropped to €61 million. How much is outstanding for more than 12 months?

Mr. Tony O'Brien: While I just check some other files, can I ask that my colleague be allowed to give some more information in line with the Chairman's request about examples of debtor days?

Deputy Kieran O'Donnell: With due respect to Mr. Tony O'Brien, we did a report on this and the Health Service Executive, HSE, would have known this issue was coming up in today's meetings. We are going off on tangents and other issues. This is about money and a matter that has gone on for a long period. It involves approximately €60 million. I am looking for relatively straightforward figures on the debtor days.

Mr. Tony O'Brien: I have three large files in front of me and I need to take a moment to flick through them to find the relevant page. All I am suggesting is that given the Chairman had a directly relevant question that my colleague might answer it while I am looking up the files.

Deputy Kieran O'Donnell: That is okay.

Mr. Paddy McDonald: The Chairman asked about examples of debtor days from various hospitals.

Chairman: I asked for the worst examples.

Mr. Paddy McDonald: From the figures of the change in debtor days from December 2011 to December 2012, Ennis General Hospital went up from 40 days to 72 days, up 32 days.

Deputy Kieran O'Donnell: What are the periods involved?

Mr. Paddy McDonald: It is from 31 December 2011 to 31 December 2012. If I start with some of the better ones, Mullingar General Hospital-----

Chairman: We are more interested in the worst examples. We have listened to this at several meetings and yet failed to get the information in a way that is clearly understood. It is about time we were given the information so that it is crystal clear. So Ennis, instead of going in the right direction went the wrong direction.

Mr. Paddy McDonald: Ennis went from 40 days to 72 days, up 32 days. Nenagh General Hospital went from 25 days to 51 days, up 26 days. St. John's Hospital, Limerick, went up by one day, 69 days to 70 days. University Hospital Galway went from 59 days to 62 days. Waterford Regional Hospital went from 33 days to 40 days. St. Luke's, Kilkenny, went from 53 days to 54 days. Mallow General Hospital went from ten days to 12 days. Kerry General Hospital went from 34 days to 42 days, up eight days. Our Lady's Hospital, Navan, went from 25 days to 31 days. Our Lady of Lourdes Hospital, Drogheda, went from 51 days to 62 days, up 11 days. The Rotunda went from 19 days to 20 days. Connolly Memorial Hospital went from 26 to 37, 11 days. Cavan General Hospital went from 15 to 23, up eight days. St. James's Hospital went from 32 to 45, up 13 days. The Coombe went from 25 to 36, up 11 days. Tullamore General Hospital went from 30 to 39 days.

These are all the ones that went up. Then there are those that went down. Mullingar General Hospital went from 116 days to 74 days, down 42 days. Naas General Hospital went from 72 days to 21 days, down 51. Portlaoise hospital went from 44 to 30, down 14. St. Columcille's Hospital, Loughlinstown, went from 33 to 32, down one day. The Adelaide went from 41 days to 35 days. Children's University Hospital, Temple Street, went from 118 days to 49 days, down 69. The National Maternity Hospital went from 20 to 18, down two days. Our Lady's Children's Hospital, Crumlin, went from 88 down to 60, down 28 days. The Royal Victoria Eye and Ear Hospital, Adelaide Road, went from 75 days to 54 days, down 21. St. Michael's Dún Laoghaire went from 47 days to ten days, down 37. St. Vincent's went from 20 to 16, down four days. St. Luke's, Rathgar, went from 84 to 72 days, down 12 days. Beaumont went from 44 to 42, down two days. Cappagh went from 21 to 13, down eight days. The Mater went from 79 to 30, down 49. Louth Hospital went from 154 down to 32, down 122.

Deputy Kieran O'Donnell: Louth went from 154?

Mr. Paddy McDonald: To 32.

Deputy Simon Harris: Would it be helpful to circulate the list?

Mr. Paddy McDonald: I have no problem doing so.

Deputy Simon Harris: It might save us all trying to transcribe them.

Chairman: The challenges that face the HSE in respect of those days are considerable when one looks at it in the stark light of each individual hospital. An explanation needs to be given as to why some hospitals have dramatically reduced the number of days while others seem to have ignored the agreement in place because the numbers have shot back up again. We

need to understand these figures clearly if we are to have a proper understanding of it and assist in terms of the analysis of the state of the HSE on this issue. Deputy Harris has asked for a copy of the document and perhaps the clerk can arrange with Mr. McDonald to copy it and circulate it to members.

Mr. Tony O'Brien: In respect of the specific question, I have copious amounts of information but cannot do a comparator now between the September figure over 12 months and the more recent figure over 12 months.

Deputy Kieran O'Donnell: I am looking for the figure of €61 million that is outstanding at the end of December. What is the breakdown of that in terms of the period of time over which it is owed?

Mr. Tony O'Brien: I do not have that figure but we will get it so we can give the Deputy that information during the course of the meeting. It has now been provided to me. It is €9 million over 12 months.

Deputy Kieran O'Donnell: So the figure over 12 months appears to have remained static. A total of €9 million out of the €61 million is outstanding for over 12 months. Of the €74 million, about €8 million was outstanding for more than 12 months. Mr. O'Brien will appreciate that it is nothing personal but the ordinary person sees that €61 million is outstanding in terms of forms that have not been completed by consultants and that some hospitals do it within ten days. Do those days relate to providing the forms after discharge? Is that correct?

Mr. Tony O'Brien: That is the turnaround time by the consultant.

Deputy Kieran O'Donnell: When Mr. O'Brien said turnaround time-----

Mr. Tony O'Brien: There is a certain procedure that must be followed in order to prepare the form ready for signing by the consultant. It is the interval between that having been done and the consultant signing it.

Deputy Kieran O'Donnell: To link that back in with the 14 days from discharge, the form would go to the private insurer. How does that link in to these particular days for the consultant?

Mr. Tony O'Brien: The 14 days relate to the consultant. They are 14 working days or 20 days in round terms. That is not from discharge; it is from when the form is completed by the institution and ready for sign off by the consultant. There will be variable processes that must be gone through before that stage is reached.

Deputy Kieran O'Donnell: The new agreement effectively means that within 14 working days of discharge - am I correct in that?

Mr. Tony O'Brien: No, discharge occurs and the hospital must prepare various claims forms which then must be signed by the consultant.

Deputy Kieran O'Donnell: Is it 14 days from the date the consultant receives the documentation?

Mr. Tony O'Brien: Yes.

Deputy Kieran O'Donnell: Is there any time limit in which the hospital must complete the

documentation to go to the consultant?

Mr. Tony O'Brien: We are working to bring that to a consistent 21-day period as well.

Deputy Kieran O'Donnell: Is that 21 days from the date of discharge?

Mr. Tony O'Brien: Yes.

Deputy Kieran O'Donnell: Is that 21 working days or days?

Mr. Tony O'Brien: Days.

Deputy Kieran O'Donnell: Twenty-one plus 20 is 41 days. That is roughly five to six weeks. Why does it take that length of time to get an invoice in place after a patient has been discharged? Is that 41 days from discharge from the hospital?

Mr. Tony O'Brien: Yes, it would be. The starting point for that process is discharge.

Deputy Kieran O'Donnell: Why does it take so long?

Mr. Tony O'Brien: There is a significant amount of documentation that needs to be brought together and checked. There needs to be assurance that all the various procedures and anything chargeable is properly tracked back to the relevant chart. At the moment, those processes take slightly variable lengths of time in different hospitals but the aim is to standardise that to 21 days.

Deputy Kieran O'Donnell: It seems a relatively long turnaround time period. Can I go back to the €61 million, of which €9 million is outstanding for more than a year? How many consultants are involved in that €9 million and why has a situation been allowed to develop whereby documentation relating to €9 million of taxpayers' money to allow a claim to be put in is effectively outstanding from consultants?

Mr. Tony O'Brien: It is a different set of claims to the ones we would have discussed on the previous occasion. It is a different subset of claims in that they are not the same claims.

Deputy Kieran O'Donnell: It would have to in some way. If it was €74 million back in September 2012 and of the €61 million, €9 million is outstanding for more than a year, some of that €9 million must have been included in the €74 million as well.

Mr. Tony O'Brien: Yes but not the same figures for over 12 months.

Deputy Kieran O'Donnell: It is still the same. It is coming out of the same pool.

Mr. Tony O'Brien: Sure.

Deputy Kieran O'Donnell: If they are outstanding for more than 12 months, they are included in the €74 million at the end of September.

Mr. Tony O'Brien: Absolutely.

Deputy Kieran O'Donnell: That could be less than six months outstanding.

Mr. Tony O'Brien: Yes. Could I ask Mr. Woods to comment?

Mr. Liam Woods: To clarify, the total amount outstanding is greater than the amount wait-

ing signing by consultants. The €9 million relates to the total amount outstanding. If an insurer pended a case because it was exceeding 20 days or it had some concern about a claim, that could also contribute to a delay which is a subset of the €9 million. It does not all relate to consultants. The figure of €9 million relates to the total pool of debt on private income for public hospitals.

Deputy Kieran O'Donnell: We were led to believe last October that there was €74 million in forms in respect of the consultants' element of the private fee income that had not been billed to whatever private insurer because the forms had not been signed off by the consultant. Is that correct?

Mr. Liam Woods: Yes. I am drawing the Deputy's attention to the fact that the €9 million is not a subset of the €74 million but is a subset of the total liability outstanding to the health environment.

Deputy Kieran O'Donnell: Of the €61 million, what are the debtors' days? How long is that outstanding? That is a different issue. I am talking about an administrative issue. I am going through the eye of a needle here for something that should be relatively straightforward to answer. I will not let it go because at the end of the day, it is taxpayers' money. Of the €61 million, could Mr. Woods give me a profile of how long the money has been outstanding?

Mr. Liam Woods: We would have to revert to the Deputy with the subset of the €9 million that is a part of €61 million. The Deputy understands the point and I understand the data he is looking for but we would have to revert to him.

Deputy Kieran O'Donnell: If €61 million worth of bills have not gone to a private insurer and if the HSE is an organisation with a budget of €13 billion to €14 billion per year but Mr. O'Brien and Mr. Woods are not able to tell me how long that €61 million has been outstanding for, I must ask why they cannot give me that figure because this is relatively straightforward accounting.

Mr. Liam Woods: The figures do exist. It is just that the breakdown of the €9 million is not with us today. There is no difficulty in getting that for the Deputy but the point I am making is that it is not with us today.

Deputy Kieran O'Donnell: Is it one half or one third of the figure?

Mr. Liam Woods: I am also an accountant. I do not guess with numbers. It would not be reasonable.

Deputy Kieran O'Donnell: I would have expected Mr. Woods to have that figure here today because we have done so much work on this. We brought out a report on the HSE with specific mention of the €74 million. I have written to the HSE and we produced a report on the matter. We still do not know why €61 million remains outstanding, how long it is outstanding and how many consultants are involved. Is this a large number of consultants?

Chairman: I am following the line of questions with great interest. Does a list exist within the organisation that would answer Deputy O'Donnell's question?

Mr. Liam Woods: It absolutely does exist. Every hospital has a list of the debts due to it.

Chairman: I want to be helpful in getting the information. Is it a list that Mr. Woods can request by e-mail in order that it can be circulated to members?

Mr. Liam Woods: I will have to ask my colleagues in finance about that.

Chairman: Who are they? Do they include Mr. McDonald?

Mr. Liam Woods: There is a finance unit in the HSE. We will have to check that.

Mr. Paddy McDonald: I am not aware of such a list. As Mr. Woods was about to say, those lists exist in the hospitals. I am not aware of a centralised or consolidated list. It should not be too difficult to produce one.

Deputy Kieran O'Donnell: There must be a basis for the figure of €61 million.

Mr. Paddy McDonald: Yes.

Deputy Kieran O'Donnell: Therefore, there must be details on it.

Mr. Paddy McDonald: The committee is looking for an analysis of the €61 million.

Deputy Kieran O'Donnell: It appears that it has not been billed. The figure has decreased from €74 million to €70 million to €61 million. Why is it there and why is it taking so long to collect taxpayers' money? Figures for individual hospitals range from as short as ten days to as long as 74 days. What is the longest period for an individual hospital? It is difficult to read these figures.

Mr. Paddy McDonald: The figure for Mid-Western Regional Hospital in Dooradoyle was 103 days at the end of 2012.

Deputy Kieran O'Donnell: What is the shortest?

Mr. Paddy McDonald: The figure for Mid-Western Regional Maternity Hospital is three days.

Deputy Kieran O'Donnell: That would be a turnaround period of three days. Is there an incentive for hospitals to improve turnaround times? Why is there such disparity among them? Is it down to individual consultants or procedures in the hospitals?

Mr. Tony O'Brien: Prior to the agreement to which Mr. Barry O'Brien referred earlier, rules had not been set. As is illustrated by the list, there have consequently been varying patterns of behaviour. Despite the position at the end of 2012 referenced in this document, the situation is currently improving under the new agreement because people are responding to the new set of rules. I am sorry that we do not have the precise information available today but we can certainly provide it for the committee.

Deputy Kieran O'Donnell: Can individual hospitals continue to run these long turnaround times? What is the penalty? It is all very well having rules but, in terms of getting money for the taxpayer, am I not correct to say that every extra euro in arrears has an impact on the cash budget?

Mr. Tony O'Brien: It has an impact on the Vote.

Deputy Kieran O'Donnell: It has a major impact on front-line services and on how the health service operates. How can all these new rules be enforced? Are penalties being imposed on those who do not improve turnaround times?

Mr. Tony O'Brien: As I noted earlier, if an individual is not showing form, the local management will pursue the matter through a disciplinary process if necessary. Where individuals are showing form and are improving, even if they are not at the exact point we want them to reach local management will work with them in every way possible. In some instances, where long delays occurred before these reforms, a catch-up process will be needed. Ultimately, however, if we are not seeing the production of a straightforward value, which we estimate at approximately €20 million in cash terms this year-----

Deputy Kieran O'Donnell: Mr. O'Brien believes there will be an additional €20 million in cash.

Mr. Tony O'Brien: The value of bringing all performance to the level of the best is approximately €20 million. That is an ambitious target but it is appropriate. Where individuals are not co-operating, local management will be required to take disciplinary action.

Deputy Kieran O'Donnell: Of the €61 million outstanding at the end of December, if a project was managed around it so that the money was retrieved in quick fashion would the impact not be well above €20 million?

Mr. Tony O'Brien: We are seeking to reach a position whereby nobody is outside 30 days. That would improve our cash position by approximately €20 million in a year. An inherent section of this value is tied up in the period of the preparation of the claim and its signing. We must also factor in a significant interval between submission of a claim and its being paid. The amount that can be produced in cash terms this year is the cumulative effect of improving the front end processing and turnaround times with consultants.

Deputy Kieran O'Donnell: Am I correct in saying that the hospitals provide for a period of 21 days to prepare the documentation for consultants?

Mr. Tony O'Brien: We are moving towards that target. The electronic claims process is an important part of it.

Deputy Kieran O'Donnell: What is the current position?

Mr. Tony O'Brien: It is currently 44 days.

Deputy Kieran O'Donnell: The aim is to reduce the period by half. What is the current average for consultants?

Mr. Tony O'Brien: That is also 44 days at the end of December.

Deputy Kieran O'Donnell: It is currently approximately 90 days before the invoice goes out to the insurance companies. How long are the insurance companies taking to pay?

Mr. Tony O'Brien: A little bit longer than that.

Deputy Kieran O'Donnell: It is approximately 200 days on average.

Mr. Tony O'Brien: I need to correct myself. On the insurance side, it is about five months.

Deputy Kieran O'Donnell: That equates to 150 days. When one adds the 90 days, it is taking roughly eight months from the time a patient is seen in the public health system for the hospital to receive payment. Am I correct to say that the invoice sent to the insurance company covers both the consultant and the cost of the bed?

Mr. Tony O'Brien: Yes.

Deputy Kieran O'Donnell: If the hospital was billing for the beds separately to the consultant fee, what would be the turnaround time?

Mr. Tony O'Brien: The Deputy is referring to a process known as decoupling. If there was no requirement for a consultant's signature on the form the interval would relate only to the in-hospital processing, which is currently 44 days, and we believe we can reduce that figure to 21 days by the end of the year with electronic claims processing.

Deputy Kieran O'Donnell: The invoice could be sent to the private insurance company within 21 days of the individual presenting to hospital.

Mr. Tony O'Brien: On average, yes.

Deputy Kieran O'Donnell: Currently the period stands at 240 days.

Mr. Tony O'Brien: The figure of 240 days includes the time on the insurance company side.

Deputy Kieran O'Donnell: Mr. O'Brien indicated that it still takes five months.

Mr. Liam Woods: There may be some confusion. The total number of debtor days is 153. The point Deputy O'Donnell is making is the same, but the total for the HSE is not 240 but 153.

Deputy Kieran O'Donnell: This is important.

Mr. Liam Woods: Because we are dealing with sub-components, it is getting a little confusing. The average debtor days in total for the HSE in private debt at the end of 2012 is 153 days.

Deputy Kieran O'Donnell: Is that from the date the invoice issued?

Mr. Liam Woods: Yes.

Deputy Kieran O'Donnell: So if one works back, there are another 50 days on top of that within the internal workings of the hospital. My point is that taxpayers' money is left unclaimed. The HSE works on a cash basis - a Vote basis. It strikes me that there is a fundamental, inherent problem in the billing system. With the consultant issue, some of the days are out of sync. The HSE is looking to reduce the days for its own preparation by half, from 44 days to 21 days, to prepare the documentation for the consultant. It is also looking to reduce the days for the consultant from 44 days to 30 days. This strikes me as extremely ambitious.

Mr. Tony O'Brien: That would be 30 days on average for this year, with an end point of 20 days at the end of the year.

Deputy Kieran O'Donnell: Correct. It is very ambitious. Will the HSE achieve it?

Mr. Tony O'Brien: I believe we will.

Deputy Kieran O'Donnell: Does Mr. O'Brien believe the procedures in place in the hospitals, including the dealings with consultants, will ensure taxpayers' money is put in on time? This would have a positive impact. The HSE has €7 million above profile for the revenue side to date this year. If the €20 million was brought in, it could have a significant impact on the revenue budget for the HSE. The problem is that at the end of every year we have these supple-

mentary budgets and not enough is done about looking at how the systems operate within the bodies. It is within the HSE's grasp and wherewithal to find a minimum of €20 million this year. How does the HSE propose to do this and what targets has it put in place? Has the HSE appointed someone to head up a project team to ensure these targets are achieved?

As a member of the Committee of Public Accounts I am concerned about getting value for the taxpayer, but more particularly about ensuring the HSE has the resources to deliver front-line services. Mr O'Brien would agree that the amount of time taken for a bill to go to the insurance company - 51 days from the time the patient is seen - is unacceptable. The HSE waits 240 days on average from the date the patient is seen for the money to come in. That has to have an impact on how the public are treated by the health system. How will the HSE make these targets? What benchmarks will be put in place? What is the timeframe for achieving them? Has a project team been in place?

I hark back again to that €61 million worth of unsigned forms. Does that refer to forms where the documentation has been handed to the consultant but the consultant has not signed it, or does it relate to internal documentation that the HSE has not prepared so the consultant can sign off on it?

Mr. Tony O'Brien: The €61 million comprises claims awaiting consultant action.

Deputy Kieran O'Donnell: That is unacceptable.

Mr. Tony O'Brien: May I answer the question? I want to be clear on the different steps. Sixty-one million euro is the value of claims awaiting consultant action at the end of December 2012, which means they were ready for sign-off.

Deputy Kieran O'Donnell: Had the consultants come back with queries? Is there a stand-off between the HSE, the consultants and the individual hospitals?

Mr. Tony O'Brien: Even if all these forms were being signed within 30 days, given that the overall transaction value here is more than €500 million, one would expect to see a significant sum outstanding at any point in time. What is at issue is those that are over time. To maximise inflows of cash, the first thing we need to improve is the preparation of forms for sign-off by consultants. As we have outlined, one of the critical success factors in those hospitals that have performed best is the electronic claims process. In terms of claim value, our hospitals have that for approximately 51% of claims. We have another tranche coming on in July and by the end of the year we want 85% to 90% of hospitals to operate in that space. That will enable them to reduce the period they require to do this work.

Deputy Kieran O'Donnell: It seems extraordinary that it takes 44 days from the time a patient is discharged from hospital for the documentation to be prepared for signing by the consultant. It is self-evident that there is an issue with the consultants, but clearly there is also an issue with the turnaround time within the hospital structures.

Mr. Tony O'Brien: It relates - by and large, although not exclusively - to the highly manual nature of that process in the hospitals that do not have an electronic claims process. That is why, since last year, there has been such an emphasis on rolling out a system that has been shown to be effective in hospitals at the lower end of the spectrum.

Deputy Kieran O'Donnell: Is Mr. O'Brien saying they are operating manual systems?

Mr. Tony O'Brien: Those that do not have an electronic system are operating a manual system.

Deputy Kieran O'Donnell: In this day and age?

Mr. Tony O'Brien: Yes. That is why we are rolling out a system that has been proven effective in a number of hospitals, to the point at which, by the end of this year, in claim value terms, hospitals that account for 85% to 90% of claim value will operate that electronic claims system. That is the process by which the administrative period before consultant sign-off will be addressed. It will enable the forms to be provided to consultants more quickly, nearer to the date of care and in accordance with the agreement reached through the Labour Relations Commission. We will be working with them to turn those claims around within 20 days by the end of this year, although we want to bring the average for this year down to 30 days, bearing in mind there is a transitional process.

Deputy Kieran O'Donnell: Will the HSE reduce the time it takes to 20 days?

Mr. Tony O'Brien: We will reduce it to 21 days.

Deputy Kieran O'Donnell: So it will be 21 days within the hospital for the consultants' forms and the HSE will bring it down to 20 days by the end of the year for the consultants' sign-off. There will be a reduction from 88 days to 40 days in getting the form to the insurance company. Is that achievable? How will it be achieved?

Mr. Tony O'Brien: In the ways I have just described. There is an income programme group, chaired by Mr. Stephen Mulvany, the current national director of finance, which is working with each hospital to identify the outliers and put in place the appropriate action. He is unable to be with us today. Mr. Barry O'Brien is outlining the industrial relations process regarding that and the agreement with the representative bodies. I must provide a caution, however. At the end of December 2010, the debtor days tied up in the consultant sign-off were approximately 62, while by December 2011 that had been reduced to 50 and by December 2012 it was down to 44. However, those improvements have been offset by extended periods on the other side of the line, which we do not control. So while we must and will do everything we can to reduce the interval on our side, both in the hospital and on the consultant side, there is concern on our side, which we have expressed before, that some of these gains are simply offset by an extension of the period of time taken for the money to be received.

Deputy Kieran O'Donnell: What is the increase in time with regard to payment by the insurance companies?

Mr. Tony O'Brien: The evidence is that it is increasing in roughly the same proportion as our reduction.

Deputy Kieran O'Donnell: Is there no legal basis on which the HSE can ensure the moneys are paid on time?

Mr. Tony O'Brien: We do not do so.

Deputy Kieran O'Donnell: Why not?

Mr. Tony O'Brien: There is no legal basis. The insurance companies are not subject to prompt payment legislation because they are not public bodies. Improving our cashflow through this process disimproves theirs, so the only way we can get more cash in is if they pay

us more quickly.

Deputy Kieran O'Donnell: Finally, can Mr. O'Brien provide the documentation we requested? He will appreciate that this is something the Committee of Public Accounts will follow up on because it is important that the taxpayer gets value for money.

Mr. Tony O'Brien: Absolutely.

Chairman: The HSE has received €100 million from private insurers. How does that impact positively or negatively in the current year?

Mr. Liam Woods: At the end of 2012 the receipt from insurers was €103 million ultimately against debt outstanding at the 2012. That brought the number of debtor days down to 75 on that basis. In fact, the number came down from 153 to 75 based on the receipt of €103 million. That is compensating for all of the process issues to which Deputy Kieran O'Donnell referred in achieving an outcome which was anticipated.

Chairman: Has it worsened the HSE's cash position in the current year?

Mr. Liam Woods: The challenge in 2013 is to maintain that rate of collection with the insurers. The hospital liability accrues from the time of discharge; the hospital can issue a bill from its patient administration system connecting with its debtor system almost immediately because it is billing a daily *per diem*. That is when the debt arises. The time taken to fill the forms is a separate issue. The debt is related to the time of discharge in issuing a bill. The hospital invoice is not the form; it is only part of what goes into the form.

Deputy Kieran O'Donnell: Has the €20 million the HSE expects to save from putting this process in place been factored into its budget or will it be a windfall if it arises in budgetary terms?

Mr. Tony O'Brien: It would not be a windfall. It relates to the overall income required by the health service this year and sits alongside the income to be generated by the disestablishment of the designated beds policy.

Deputy Kieran O'Donnell: Therefore, it has been factored in.

Mr. Tony O'Brien: It has.

Mr. Liam Woods: I refer to the Chairman's question. The impact will be that the figure of €103 million in payments in 2012 needs to be maintained in 2013 as it is also included in the collection target for the year.

Chairman: Could it have a negative impact on the HSE's accounts this year because of the fact that the executive received an advance payment in 2012?

Mr. Liam Woods: Not if that rate of payment continues.

Chairman: What if does not continue?

Mr. Liam Woods: Then it would be a problem.

Chairman: Therefore, it could be a problem.

Mr. Liam Woods: This brings us back to the point the chief executive officer was making.

If the insurers maintain their rate of payment, including the €103 million at the end of 2012, that will assist in meeting the 2013 target. To the extent that that was not the case, each euro back from the total would be a problem in terms of meeting the total income target in Vote terms.

Chairman: The officials have to be extremely careful in how they manage this to ensure the position does not turn into a negative, which it could.

Mr. Liam Woods: Correct.

Deputy Robert Dowds: I welcome Mr. O'Brien and his staff. How many qualified accountants does the HSE have?

Mr. Liam Woods: Just over 100 is an estimate. That is in the HSE and not necessarily including the voluntary bodies funded by the HSE.

Deputy Robert Dowds: It would exclude hospitals, for example.

Mr. Liam Woods: It would exclude voluntary hospitals which account for approximately half of the total hospital spend.

Deputy Robert Dowds: How has the figure changed in the past two or three years? Has it increased or decreased?

Mr. Liam Woods: It has been declining based on retirements in the past two or three years, but there has been targeted recruitment in some areas to support programmes such as the implementation of the fair deal scheme and to support other areas in which there is a shortage. In late 2012 and early 2013 there was some growth - about ten individuals.

Deputy Robert Dowds: Does Mr. Woods regard the number as adequate?

Mr. Liam Woods: No, it is well recognised that the scale of financial resources available across the HSE and its business needs to be looked at terms of qualifications. The primary challenge is the number of people qualified as a proportion of the total number; there is a need to grow the total number of people qualified.

Deputy Robert Dowds: To what extent?

Mr. Liam Woods: We are working towards a figure of just over 10%. A more normal figure might be between 20% and 25%.

Deputy Robert Dowds: To what extent will that help to improve financial operations within the HSE?

Mr. Liam Woods: Supported by the implementation of single systems, it would significantly enhance the timeliness of data for managers and decision-making purposes. It would also improve the information available for the national health system. Every manager in the HSE has data available locally, but there are challenges in aggregating to a regional and national level because the systems are local.

Deputy Robert Dowds: What areas will benefit from savings when the proportion of qualified accountants improves?

Mr. Liam Woods: Key areas we target more generally are financial supports in areas such as procurement, logistics and the better use of capital within the organisation. There are a num-

ber of areas that are part of the wider strategy of the HSE that would be supported by having accountants. Obviously, other areas are the management of budgets and variance management within the distributed budget base of the HSE.

Deputy Robert Dowds: What is the projection for savings in this regard?

Mr. Liam Woods: That is too difficult to speculate on.

Deputy Robert Dowds: Would it have a bearing on the questions asked by Deputy Kieran O'Donnell?

Mr. Liam Woods: There is a team nationally which includes accountants working on that project. There is a lead accountant working on it. We, therefore, have prioritised resources for the income issue in the way Deputy Kieran O'Donnell described and the CEO has referenced it. We have prioritised financial resources in addressing the income issue, given its importance to us.

Mr. Tony O'Brien: In the 2013 service plan we have set aside 25 posts specifically for the recruitment of qualified accountancy personnel who will be focused on areas with a particular priority. Therefore, there will be a net increase of 25 qualified accountants in the HSE this year.

Deputy Robert Dowds: I agree with Deputy Kieran O'Donnell that given the state of the nation's finances, the better value we can achieve in all services the better.

I refer to the prescription drugs issue. I acknowledge attempts are being made to tackle the difficulties associated with it. Prescription drugs account for 17% of the overall budget compared to 9% in Britain. The State pays 50% more than EU average. The troika has fingered us on this because it sees it as a saving that would impact positively on the people. The individual cost of some drugs in incredible. For example, a drug used to treat schizophrenia costs €99.89 in Ireland, while the generic version costs €4.10 in Britain. A sum of €1 million could have been saved in 2010 if generic cholesterol pills had been prescribed instead of a branded drug. Why is our drugs bill so high? Will the measures we are moving towards implementing lead to a significant improvement in reducing the bill? Will it be brought into line with that in similar EU member states?

Mr. Tony O'Brien: There are multiple factors, one of which is prescriber behaviour. Last week we launched a medicines management programme in regard to two categories of drugs - statins and proton pump inhibitors. One of the factors which has been referenced by Professor Michael Barry, our clinical lead, in this instance is an analysis which shows that for drugs of comparative value in terms of their clinical effectiveness, there is a tendency to prescribe the dearest as opposed to the cheapest. Therefore, we have engaged in a significant programme of educating both the public and prescribers of the relative value involved. The aim is to switch prescribing behaviour towards prescribing drugs of equal clinical value but of much lower cost. There is significant potential in this regard, notwithstanding the fact that it remains the case that 49% of the top ten prescribed drugs by value are generic. It is not all a negative picture, but there is significant room for cost reductions by enhanced prescribing of generic or lower cost branded drugs. That is one part of the picture. Another part of the picture is, obviously, related to the market price of drugs in this country. As the Deputy is aware, the Department of Health in association with the troika is commissioning a study - a comparative study - through the ESRI of the relative costs, which will provide a more informed base for that. The key issue - the thing we can do most about most quickly - is changing prescriber behaviour and consumer

behaviour. There are significant gains for the health budget, but also for individuals. In PPIs, for example, last week it was demonstrated that by switching to the lowest cost drug in that category, those who are paying from their own pockets for their drugs could save €300 per annum, with similar things across the spectrum. So we will be rolling out a whole series of preferred medicine guidance in relation to those things, clinically based through the medicines information centre throughout the course of this year and so far we are having a very positive response to it from prescribers.

Deputy Robert Dowds: Why has there been a tendency to prescribe the most expensive drug?

Mr. Tony O'Brien: I think there are two issues. One is a lack of knowledge and information about the relative costs of drugs on the one hand-----

Deputy Robert Dowds: Is that on the part of doctors?

Mr. Tony O'Brien: Yes. It is balanced - negatively balanced - by those drugs that are most expensive also tending to come with the heaviest marketing budgets and consequently that is the name that tends to be in a person's mind when they are considering prescribing. We also have to recognise that general practitioners operate in fairly pressurised environments - they have a waiting room and they have patients. At the point at which they are describing what to prescribe, we need to make it as easy as possible for them to know at that point what the cheapest clinically effective option is. In tandem with this medicines management programme, which is a broadly based thing, we are also developing a desktop system which will enable them from their prescriber screen to see clearly which will be the cheapest alternative. We are intending to roll that out during the course of this year as well. So we have to make it as easy as possible for professionals to make the right choice on the basis that by and large that is what they will wish to do.

Deputy Robert Dowds: Who has benefited from the prescribing of the most expensive brands? Is it simply the pharmaceutical companies or does it go wider than that?

Mr. Tony O'Brien: It is essentially the pharmaceutical companies and, obviously, at certain stages along the value chain there are certain benefits to those who are involved in the supply of drugs based on their value, but primarily the value goes back to the manufacturer and the distributor.

Deputy Robert Dowds: Would it be in the interests of the pharmacists or the intermediaries between the companies and the pharmacists to-----

Mr. Tony O'Brien: Many parts of the supply chain are margin based. Margin relates to cost. So in so far as they are part that supply chain, if the supply chain is skewed towards the more expensive drugs, then those who are taking a margin will benefit from that, clearly.

Deputy Robert Dowds: To what extent are there signs of better practice coming into play in terms of GPs prescribing expensive drugs?

Mr. Tony O'Brien: I can only speak at this stage in terms of the reaction we have received. It is too early to see the hard data, for example, on last week's launch on the PPIs and the statins. The reaction back to our offices from those who have received the preferred medication guidance has been very positive and in fact numbers of people have encouraged us to consistently do this, do more of it and to be constantly coming out with messages. So the prescriber com-

munity seems to be responding very positively for it.

Deputy Robert Dowds: Is Mr. O'Brien saying the doctors are responding positively?

Mr. Tony O'Brien: Yes.

Deputy Robert Dowds: That obviously is very useful. With the high costs for drugs in the past, are the pharmaceutical companies, in a sense, forcing us to pay a high price as a *quid pro quo* for keeping their operations here? Is there any evidence of that?

Mr. Tony O'Brien: There would not be evidence that would be available to us. I am obviously aware of the speculation that relates to that. The current arrangements are based on negotiation such as the IPHA deal last year. Clearly negotiation is a two-way deal. One can only negotiate someone down to the level they are prepared to negotiate down to. That having been said, the IPHA deal at the end of last year will produce €400 million over four years that otherwise would not be available through the reduced cost of those drugs. Further legislative developments such as reference pricing, however, will produce even greater benefits for us when that comes in.

Deputy Robert Dowds: Does that mean our negotiators have been much less effective than negotiators in countries such as Spain or the United Kingdom?

Mr. Tony O'Brien: The Deputy could interpret it that way, but clearly there are market size differences. Some of the bigger markets have a bigger range of players and are more attractive to some of the generic off-brand manufacturers than a small market such as Ireland. So it is difficult to compare the ability of our negotiators simply based on the cost outcome. When one is negotiating as opposed to legislating, it is a different thing. As we move towards legislation for reference pricing, that will be a game changer in terms of the price of medications in Ireland.

Deputy Robert Dowds: What has been happening seems to be a scandal in that so much money is being wasted which could be much better used elsewhere. Clearly we need to have the drugs, but if we could have them at, for example, a 50% reduction it would leave the health services in a much better place financially. What percentage savings can we expect?

Mr. Tony O'Brien: We put in place a very modest provision for the impact of the medicines management programme this year which is far below what we would hope it would achieve. We have done that in order to be conservative and not overly risk-taking. We have put in place a savings target of €20 million in relation to the medicines management programme, which is relatively modest and should be achievable. We have not yet built in for the impact of reference pricing because it is not yet legislated for, but we would expect that to have a very significant impact on the cost of drugs. To be fair, it is worth saying that the average ingredient cost of an item prescribed for the GMS has fallen from a peak of €18.97 in 2009 to a period where year to date in 2013 that is down to €13.43.

Deputy Robert Dowds: It has reduced by €5.

Mr. Tony O'Brien: Roughly, yes. There is a way to go, but it is important to stress progress has been made. Also we are seeing changes, as I said, in prescriber behaviour, which will affect the overall number of prescriptions issued and the move towards always using the preferred drug, which will be the lowest priced clinically effective alternative.

Deputy Robert Dowds: Is it correct that in some cases the HSE is reimbursing pharmacists

by between 40% and 90% of the actual cost of the drug? If so, why is that the case?

Mr. Tony O'Brien: The Deputy is referring to recent media reports which seek to make a calculation based on below-the-line offers that may go on between distributors or manufacturers and individual pharmacists, sometimes referred to as two-for-one and three-for-one offers. We reimburse based on list price and would not have visibility of these types of two-for-one or three-for-one offers that periodically - or perhaps even more often than periodically - are in play between distributors and prescribers. Certainly we do not play in that space. We do not see the benefit of that.

Deputy Robert Dowds: By not playing in that space is the HSE not losing out on the possibility of saving money for the taxpayer?

Mr. Tony O'Brien: The reality is we would not have access to the information to enable us to play in that space. These things are done confidentially between retailers and distributors and are against the published list price which is different. So we are not really in a position to deal in that space. Again the approach to reference pricing will have a significant impact in that area. The extent to which this goes on is governed to a large extent by market conditions and market conditions here at present facilitate that type of practice. A reference-pricing environment will make it much harder for people to play those games.

Deputy Robert Dowds: I ask Mr. O'Brien to explain what he means by that being an area in which the HSE cannot play. On behalf of the taxpayer, I would like the HSE to play in it, if it would reduce our bills. I did not quite get one aspect of the point Mr. O'Brien made.

Mr. Tony O'Brien: I used the term "below the line".

Deputy Robert Dowds: That is what I mean.

Mr. Tony O'Brien: I could have used the term "below the counter". In other words, it is not done in a transparent way.

Deputy Robert Dowds: Above the counter a particular jar costs €20, but in an underhand sale it would be only €14.

Mr. Tony O'Brien: That is exactly it.

Deputy Robert Dowds: It strikes me that there is a real need for the HSE to get at this because of the obvious savings which would accrue. Mr. O'Brien seems to be suggesting the changes anticipated will help to eliminate this. Am I correct in stating this? If I am, on what basis does Mr. O'Brien believe the anticipated changes will help to deal with the issue?

Mr. Tony O'Brien: The pricing environment creates conditions in which there is scope for distributors to play these games. They are only viable with high list prices. Within the margin provided by a high list price one can perhaps afford to offer two or three units and still have a positive margin. That is true of the market in general. To bring it down to something simple, a packet of ibuprofen-based pain relievers on a high street this side of the Border can cost up to €5 but costs £0.79 in Newry. A reference pricing environment which brings pricing to the lowest level will not afford the opportunity for multiple units to be supplied in the envelope of what can then be argued is an inflated list price. There would not be the market conditions for this.

Deputy Robert Dowds: It all points to something which has been a general problem in this country and not only in the area of health. If a private operator has been screwing as much

money out of the State as possible, traditionally we have been too compliant because we do not see ourselves as being the State. I hope we can make progress in this regard because it would be so much more beneficial for all of us and would give the HSE more leeway in perhaps putting money into other areas of the health service.

Mr. Tony O'Brien: Given the right regulatory environment, we will certainly be able to get better value. It is important to stress the reason drugs companies do this is for them market share is a tradeable commodity and goes to the value of their brands, stocks and shares. That is the incentive for them. The reason they are able to do it is they can sustain a higher list price within which they can make these swaps. Once market conditions do not facilitate the maintenance of the higher price, they will not be able to do it anymore.

Deputy Robert Dowds: A total of 140 HSE properties have been lying idle for more than ten years. Costs are involved in securing these properties. Any building lying idle is a waste because it is not being used and it incurs security and maintenance costs. Are these properties owned by the HSE or does it have a long lease on them? I ask for further information on this area.

Mr. Liam Woods: I propose to report to the committee quickly on the cost of unoccupied properties. I do not have the list of the 140 properties with me, but I will report back to the committee.

Deputy Robert Dowds: What types of properties are these? To what extent are they owned by the HSE?

Mr. Liam Woods: I am afraid that as I do not have a copy of the list, I cannot answer the question. I would have to see the list of properties to be able to address the issue.

Chairman: If we get the list and the costs involved, perhaps we might revisit the issue.

Deputy Robert Dowds: It is an important one and not only for the health service. The State is paying for too many buildings which are not being fully utilised. I ask the Chairman to return to this issue.

Chairman: Yes, once we receive the correspondence.

Mr. Liam Woods: I will send a report in the coming weeks.

Deputy Simon Harris: I thank the witnesses for coming before the committee. To return to one of the first questions asked, to be sure I am absolutely clear, as of today or as close to today as possible, the current budgetary position of the HSE is that it is approximately €18 million below budget overall.

Mr. Tony O'Brien: Yes. To recap - I am quoting from the Vote return - on 31 March the position was that we had underspent by €25 million on the capital side and overspent by €7 million on the revenue side, giving a net difference of €18 million.

Deputy Simon Harris: That seems to be a very welcome turnaround from what we saw in January when the HSE was approximately €12 million over budget. I ask Mr. O'Brien to reassure me that the €25 million capital underspend is not just lagging behind and that we will not see an advancement. Is it a timing issue which is presenting the figures in a better light?

Mr. Tony O'Brien: It is. The critical aspect is the €7 million overspend on the revenue side.

Deputy Simon Harris: The €25 million will be spent.

Mr. Tony O'Brien: We expect to spend it.

Deputy Simon Harris: Therefore, the HSE is approximately €7 million in debt.

Mr. Tony O'Brien: Yes. I would like to stress that many of the largest savings targets did not fall in the first quarter. Therefore, while it is a relatively good position to be in, it is not necessarily a predictor of where we will be at the end of the fourth quarter. We have identified various risks and have spoken about some of them.

Deputy Simon Harris: To return to an issue which shook my faith and that of many Oireachtas Members and the public in the health Estimates process last year, the Oireachtas voted through a ring-fenced €35 million for mental health services which was effectively pinched and allocated to other areas of the health service. Will Mr. O'Brien explain how this occurred? How can the Oireachtas specifically pass measures and Ministers herald the fact that €35 million has been ring-fenced for mental health services, with significant detail provided on what it will result in, and then read on the front page of a national newspaper that a large part of it will not go anywhere near mental health services?

Mr. Tony O'Brien: The €35 million was intended to fund recruitment to fill 409 mental health posts. However, the recruitment process was not capable of putting all of the staff in posts sufficiently early to be able to absorb the €35 million in pay costs. In part, this was because the overall headcount reduction required last year meant the position taken was that progress needed to be seen on the downward trend in the existing headcount before recruitment could commence for these posts. Inevitably, this meant the posts would not be filled by year end. There was what is known as a time-related saving with regard to these posts. In other words, the money provided was sufficient for the full year cost but the full-year cost of the staff did not arise. The money was used in mental health services but not for these posts.

Deputy Simon Harris: It was used in mental health services.

Mr. Tony O'Brien: Yes, it was.

Deputy Simon Harris: The witnesses have seen the same media reports as I have, I am sure. There is huge scepticism about the veracity of this statement, while not disputing it. Will Mr. O'Brien expand on what the €35 million ring-fenced for mental health services was used last year?

Mr. Tony O'Brien: Ms McGuinness will answer the question.

Ms Laverne McGuinness: In the mental health service, while these posts were not put in place, there was a level of agency work and we progressed with some of the community mental health teams. We are in the process of recruiting to fill a significant number of these posts and some of the personnel were in place by the end of the year. A total of 338 of the posts have been filled; another 40 personnel are on their way in the door and offers have been made to four more candidates. We cannot fill 20 posts. We are waiting on the next cohort of psychology students to finish college in June. We are awaiting documentation in the case of a further post. The majority of posts will be filled. An additional €35 million has been provided for posts that are commencing in 2013.

Deputy Simon Harris: That is good news. In terms of the €35 million, is Ms McGuinness

confident that the HSE will not encounter the same difficulties this year that it did last year?

Ms Laverne McGuinness: Yes.

Deputy Simon Harris: Could it encounter them?

Mr. Tony O'Brien: Taking account of what happened last year, we are doing something different. We are completing last year's recruitment of posts and are already progressing this year's posts, even in advance of securing the other reductions that are required to balance our overhead. We need a swing of 4,000 to accommodate these posts, but we are not waiting for that to be delivered. There is an element of risk in terms of compliance with our ceiling requirements, but if we did not do it, we would produce the same result as last year's and we would not have a reasonable chance of recruiting for the posts in the year for which the money was provided. There will likely be a time-related saving, as we will not have all of the staff in post for the full year, but the money in question will still be available for mental health.

Deputy Simon Harris: Putting that on the record is important. The issue of agency staff was mentioned. Can we have the figures? The information that we have been given may be different to that provided to Mr. Barry O'Brien. According to the information that is available to me, the agency costs were 10% higher this January at €18.9 million than they were in the previous January and 6% higher than the 2012 monthly average. Is this the case? Regardless, what is the current position in terms of agency staffing compared with this time last year?

Mr. Barry O'Brien: There has been some reduction in the level of agency and medical staffing. Nursing has seen a slight increase, but that is against the background of a significant reduction in the overall head count of people working in the HSE. The level of agency staff has remained static with a downward trend.

Deputy Simon Harris: What was the average monthly agency cost last year? How does it compare to this year's average?

Mr. Barry O'Brien: Last year, the average cost was approximately €16.5 million and our agency spend was €214.938 million. There were some variables, including a peak in the summer period of June, July and August, when the monthly cost was as high as €20 million, before reducing to amounts such as €16.6 million, €16.9 million and, in December, €16.4 million.

Deputy Simon Harris: What has been the average in the first quarter of this year?

Mr. Barry O'Brien: Compared with the first quarter of last year, it is pretty much the same, albeit with a slight reduction.

Deputy Simon Harris: In the budgetary reduction set out in the HSE's service plan for last year, there was to be a reduction in agency costs of approximately €100 million, but this was not achieved.

Mr. Barry O'Brien: No, the targeted reduction was up to 50%. Given the volume and range of services provided to deal with what came in the door, we were not in a position to achieve that reduction.

Deputy Simon Harris: This year's service plan alludes to a reduction in agency staffing, but it does not set any target. Is this correct?

Ms Laverne McGuinness: Yes. I suppose-----

Deputy Simon Harris: I am sorry to interrupt, but I understand the logic of Mr. Barry O'Brien's point. The HSE is being told to reduce its numbers and, therefore, it must take on agency staff. However, there is an issue of credibility. The 2012 service plan did not reach its target. This year's service plan alludes to a reduction but does not set a target. Has the issue been included just to make a reference to it?

Mr. Barry O'Brien: Mr. Tony O'Brien clearly stated that the Croke Park and Croke Park II process has a sizable contribution to make in reducing our reliance on agency staff. As everyone is aware, the process is at a sensitive point.

Deputy Simon Harris: Yes.

Mr. Barry O'Brien: We had identified targets, particularly under the heading of additional hours to be worked in the areas with the greatest agency staffing levels. This had the potential to reduce our agency staffing levels considerably.

Deputy Simon Harris: That is a fair point. We referenced another issue with agency staff in our March report on the HSE, namely, the number of retired and former HSE employees who are back working in the health service as agency staff. We have pursued this issue with a number of Departments. For example, the Department of Education and Skills can tell us that there is only this or that percentage of such staff. It can be specific. It can even identify which schools are using retired teachers for substitute work. Is the HSE in a position to identify how many people working in our hospitals as agency staff are retired HSE employees?

Mr. Barry O'Brien: No.

Deputy Simon Harris: Is the HSE considering being able to? It was a recommendation of our report. It seems logical. Everyone has a PPS number. Many medical graduates, for example, nurses, are leaving college and trying to get employment. If staff have taken incentivised leave from the public service and are returning as agency staff, they are receiving public sector pensions and public sector wages simultaneously. This is an issue and it has been clear Government policy not to do it.

Mr. Barry O'Brien: We have a direct policy not to offer work to retired health care staff. We face a challenge. An agency can provide health care staff to various users that are not directly under the HSE. For example, nurses could be supplied to one of the voluntary hospitals in Dublin. Therefore, the agency is supplying the skill set required. We have indicated to the agencies that we do not want to be offered staff who have already retired from our services.

Deputy Simon Harris: May I make a suggestion? The witnesses may not be in a position to answer today. A matter was mentioned in our report but has not been included in their briefing note on the recommendations arising from that report. We recommended that, when signing a contract with agencies, the HSE ask them to include people's PPS numbers, thus enabling the HSE to carry out its policy. This is an important issue. At a time when we are reducing numbers, people are leaving college seeking employment in the health service and should not be deprived because of someone who is earning a second income. If the witnesses considered this matter and reverted to us at a future meeting, I would be grateful.

Turning to our report, Mr. Tony O'Brien told the committee in October: "I believe that the absence of contemporary accounting systems - unified accounting systems of the type one would expect to see in an organisation of this size and complexity - is a significant contributory factor to that challenge". He was referring to budgetary and financial management. Appro-

priately, he made the point that everyone was viewing the health service at a time of declining budgets and was trying to attribute all of its financial and budgetary problems to same. However, the HSE has rarely, if ever, lived within budget. I listened to Mr. Tony O'Brien and read the briefing notes. How many legacy systems is the HSE still depending on? How would he like to see a unified approach progressing?

Mr. Tony O'Brien: I will ask Mr. Woods to answer the question on the number of legacy systems, at which point I will respond.

Mr. Liam Woods: The former health board systems still run eight primary systems. We integrate data from these systems in a business warehouse and then import data from voluntary bodies. This represents a figure of just over €3.3 billion in total resources. That is the legacy position. The desired position would be to have a single system in which the whole country would be coded on a common basis and which would support the effective running of the business.

Deputy Simon Harris: In terms of the timeframe, how is it proposed to get from A to B?

Mr. Liam Woods: We are in discussions with the Department of Public Expenditure and Reform on a business case which we have been through with the Department of Health and CMOD, the Department of Public Expenditure and Reform's technology section. We are hopeful we can progress this business case, go to market and implement a systems solution which will remove many of the manual interventions in financial transactions and financial reporting.

Deputy Simon Harris: Could that happen this year?

Mr. Liam Woods: Given the scale of the project, the implementation timescale, in terms of implementing it nationally, would be 18 to 24 months.

Mr. Tony O'Brien: Mr. Woods has described the desired outcome very well.

Deputy Simon Harris: The desired outcome for everybody would be a unified system rather than many legacy systems.

I would like to make a couple of other points. Politicians expect agencies such as the HSE to set targets. However, on review, it is evident that no hospital has reached them. One example is the accident and emergency targets set for last year. The target set for discharge and admittance within six hours of registration was 95%, but this was achieved by only 67.3% of hospitals. The target discharge or admittance within nine hours to be met by 100% of hospitals was achieved by only 64.4%. As such, no hospital reached either of these targets. Is the HSE setting targets that are deliberately over-ambitious or does it genuinely believe they are achievable? Most people would like to believe that when they attend an accident and emergency unit at any hospital, they will be seen and discharged or admitted within nine hours. However, not one hospital managed to achieve thie target.

Mr. Tony O'Brien: The Deputy is correct. There is significant room for improvement in the performance of emergency departments. The targets are set based on where, from a quality point of view, we need to get to. It would be wrong to set a target which, if achieved, would not get one to where one needs to be. Based on experience in other countries and what the evidence shows us, in terms of what would be a good-appropriate experience, in an ideal world we would be moving towards a target of 100% within six hours. For example, up until recently in the United Kingdom there was a four hour target.

What we have seen is the impact of the targets, including the intermediate targets for trolley numbers and so on three times a day. The work of the special delivery unit has been to bring a slightly different focus to the urgency attached to improving patient experience time in emergency departments. While these targets have not been met throughout the year, there was a significant improvement in terms of the number of patients recorded on trolleys and so on. In recent weeks, owing to the matters we discussed earlier, the situation has disimproved and we have had to take particular actions to try to improve it. Nonetheless, it remains appropriate to set as a target what would in truth be the acceptable level of performance and seek to move incrementally towards it. Clearly, 67.5% is not an acceptable outcome. What it tends to hide is the extent to which there have been improvements in processes and flows in individual emergency departments.

Deputy Simon Harris: Would it be fair to say the targets for this year, in terms of this specific metric, are the same and that Mr. O'Brien expects to see an increase in compliance with them?

Mr. Tony O'Brien: I would expect that to happen over the year. What has happened in the past few weeks has been a setback in that respect. However, looked at in time bands, I would expect to see improvements as we move towards the end of the year.

Deputy Simon Harris: My last question is on absenteeism. I have read the HSE's note on the issue. I recall that when we discussed it previously with Mr. O'Brien's predecessor, there was a huge variance in where there was absenteeism, both in terms of geographic location and, more interestingly, job descriptions. As I recall, the level of absenteeism among doctors was low, while among nurses it was slightly higher but, again, very low. However, it was dramatically high in some areas, reaching almost double digits, among grades and positions within the health service and in some parts of administration. Can Mr. O'Brien give a breakdown of the current level of absenteeism?

Mr. Tony O'Brien: That information is published in our performance reports. The Deputy is correct that the level of absenteeism is variable.

Mr. Barry O'Brien: It currently stands at 4.79%, which is comparabe with other organisations, nationally and internationally. The Deputy is correct in his recollection that the level of absenteeism in the medical-dental area remains the lowest.

Deputy Simon Harris: What is the percentage in that regard?

Mr. Barry O'Brien: It is approximately 1.2%. The level of absenteeism among nurses is 5.3%; among health and social care professionals, 4.27%; among management-administration staff, 4.75%; among general support staff, 5.52%; and among other patient and care clients, 5.44%. Equally, almost 90% of all absences are certified. There is a proactive management process in place for the management of attendance across the service. It is identified as an issue that needs constant management. We have made incremental progress and the level of absenteeism has stabilised at 4.8%. While a target of 3.5% has been set as the norm, the current absentee level compares well with other 365 day, 24-7 services, particularly in Britain and Northern Ireland. The level has reduced from a high of 7% in 2008 to 4.79% today.

Deputy Paschal Donohoe: I welcome Mr. O'Brien and his colleagues. I will be brief as I am due to speak next in the Dáil on a Bill.

I would like to focus on a number of areas but will commence by returning to the issue of the

payment of consultants and the delays in this regard. In Mr. O'Brien's view, what is the reason for the delay in consultants signing off on forms?

Mr. Tony O'Brien: I suspect the reasons are variable among the different categories of consultant. One reason could be a lack of understanding of the negotiated agreement, while another may be that for them individually, signing the forms triggers a process which will have income flowing to them and the hospital. They may be insufficiently motivated in that direction or there may be timing considerations for them, which could relate to a number of extraneous factors. I do not believe there is any badness or malice involved. I believe it is question of understanding the importance to the public service of having the benefit of that positive cashflow. In some instances, it probably relates to the wide range of demands on their time and seeking to motivate them to give sufficient priority to this issue, as opposed to the other aspects of their work which they may believe are more important.

Deputy Paschal Donohoe: I agree that it is unlikely there is any badness or malice involved. However, this does influence when they are paid. If a consultant knows that signing a particular document will influence when he or she will be paid, it will be a reasonably influential factor in how he or she allocates his or her time. There is a clear pattern as many of the consultants, until the progress demonstrated today, were waiting a very long time to sign these forms.

Mr. Tony O'Brien: Whereas we can all imagine what the phasing of the individual cash flow might be, the truth is we do not know. Those with the right to private practice generally speaking protect the right and those who do not have the right are in many instances jealous of that right. It would be strange for people, having done the treatment, not to take the next step, which enables the private health insurance company to provide the financial reward for the work.

Deputy Paschal Donohoe: It is very strange and it strikes me that, in the discussion we have had, it is probably the most basic question. Having done the work, why would these people not look to be paid for it? I can imagine for a cohort of people, payment could be a secondary matter. For the magnitude of delay, it is striking that so many decide not to get paid quickly.

Mr. Tony O'Brien: I agree.

Deputy Paschal Donohoe: Has the witness ever thought to do some work on finding out why that is so?

Mr. Tony O'Brien: To be honest, I am less concerned with their private motivations in the past than with providing sufficient motivation to do what is required now. The agreement reached through the Labour Relations Commission is an important part of the process under way in each location, with discussion support to the outliers as part of that. In the round, we are seeing progress, and I am most interested in that. Clearly, there are many outliers on which we must focus.

Deputy Paschal Donohoe: Sure, I accept that. It is important to the discussion - it has not been done to date - to acknowledge the significant progress made in dealing with this issue since we met last.

Mr. Tony O'Brien: I thank the Deputy.

Deputy Paschal Donohoe: I also acknowledge the significant progress on deficit perfor-

mance, which is markedly different from what we have heard in other meetings. Progress has been made in that regard as well. We had a discussion on the allocation of patients to nursing homes and the prioritisation decision made, which has been outlined. How long will that decision be maintained?

Mr. Tony O'Brien: At the outset we indicated that it would be for a period of two to three weeks. We are now past the tipping point of the second week and currently I expect it to continue into the third week but no longer.

Deputy Paschal Donohoe: The witness is anticipating that the original decision made for a three-week window will probably be enough.

Mr. Tony O'Brien: Yes.

Deputy Paschal Donohoe: My colleague, Deputy Dowds, touched on promotional activity and there has been a discussion about below the counter and above the counter pricing. I have no experience of this in the pharmaceutical industry but I do have significant experience of the practice in the supply of goods to retailers. If we are not tracking it at our end in how the State purchases goods, does it not mean that the people from whom we buy goods are receiving quite a significant margin increase? My understanding is we buy the goods from a distributor.

Mr. Tony O'Brien: Yes.

Deputy Paschal Donohoe: It is true in most cases anyway. The manufacturer will supply the goods to the distributor. If there is promotional activity going on to influence the price at which the distributor buys the goods, the margin the distributor is receiving off the price at which the State is buying the goods is significantly enhanced. That is the case if the goods are being received at a promotional or discounted price.

Mr. Tony O'Brien: Whether it is through two-for-one or three-for-one type offers, or as often occurs in the conventional retail sector, invoice discounting, there would be an effect of increasing the margin on the unit of supply.

Deputy Paschal Donohoe: Should we not be doing more to track that?

Mr. Tony O'Brien: The challenge we have is being able to identify when it happens and being able to do something about it. It is not done in a sufficiently transparent way that bears all the processes we are able to kick into life in this respect.

Deputy Paschal Donohoe: I will leave it at that, although I may come in again at the end of the meeting. I thank Mr. O'Brien for his analysis.

Deputy Sean Fleming: I thank the witnesses for coming today. There are a couple of specific topics I wish to deal with, with one having been discussed already. The drugs and medicines bills is one of the biggest items of expenditure. The EU and IMF, as part of the troika, is looking to examine this issue, and the use of generics, because the HSE is spending 17% of its budget on medicines, which is double the percentage in the UK. Many of the items cost more than 50% more than the European average. As an example, Zyprexa is used to combat schizophrenia; it is €99.89 in Ireland but the generic version is available in the UK for €4. The Irish version is approximately 25 times that price.

Everybody in the HSE, the community at large and at the EU, Government and IMF level knows we pay too much for medicine. How are these prices arrived at? Who from the HSE

sits in with the senior executive from international drug companies to decide pricing? Will the witnesses describe such a meeting and the level of people representing the Irish taxpayer at that meeting? Who would be on the other side of the table? Would they be senior sales people from companies, many of whose turnover would be bigger than Ireland's GNP? I want to be assured that there is a balance of strength at the table. Who are these people and what are their grades? From where would they come and what would be their commercial experience in dealing with the biggest multinationals in the world? How are these prices set in meetings with representatives of the manufacturers?

Ms Laverne McGuinness: I will have to revert on the individual names and grades, but I can do that quickly. The negotiations primarily take place with the Irish Pharmaceutical Healthcare Association, IPHA.

Deputy Sean Fleming: Will Ms McGuinness clarify that?

Ms Laverne McGuinness: The negotiations are led by the Department of Health, with HSE representatives, at the meetings.

Deputy Sean Fleming: With whom do they meet?

Ms Laverne McGuinness: The Irish Pharmaceutical Healthcare Association.

Deputy Sean Fleming: I will start with the basics. The HSE representatives do not meet with people from the manufacturers of drugs but rather the industry puts up a front. It pays for an association to speak to the HSE. Are there separate discussions? I am worried that if the big manufacturers have a cosy committee representing it, they will only seek to protect the cartel. Does the HSE and Department not have a one-to-one discussion with people from individual companies. We could be writing cheques to them for €500 million, €600 million or €700 million. Are the meetings with intermediaries?

Mr. Tony O'Brien: With the process of negotiation in place, on the other side of the table are representatives of the manufacturers through a vehicle called the Irish Pharmaceutical Healthcare Association, known as IPHA.

Deputy Sean Fleming: Why is there not direct discussion with companies?

Mr. Tony O'Brien: The process as established here for some time is to have these discussions through the association.

Deputy Sean Fleming: We would already be dealing with an intermediary. It is the start of the problem. We are now beginning to establish that the Department of Health and HSE does not negotiate and talk turkey on a one-to-one basis with individual companies. We are operating through a federation or committee that the manufacturers have put together to speak to representatives. It will hold an industry line. I am shocked at the amount of money. Do the witnesses understand that this intermediary group is preventing them from talking turkey with the individual companies whose products they are buying? We will move on. I ask the witnesses to change their procedure and not to negotiate with intermediaries any more, but deal with the companies whose products they are buying.

Ms Laverne McGuinness: The Deputy's question is valid in terms of the amount of money we are paying for drugs. However, with regard to the reductions that have been achieved-----

Deputy Sean Fleming: No, we will get to that in a moment. I want to know the process.

I am not interested in the reductions yet. The IMF, European Commission and the European Central Bank have adjudicated, if adjudication was needed, that we are not getting proper value for money. The process that has led us to the deals we are getting is not satisfactory from the taxpayer's point of view. Those bodies have decided that, although we have been saying it in this committee all the time. The witness will tell us that they got 20%, 10% or 5% off, but we are still paying too much. I gave one example. The HSE is paying 24 times the price of what an equivalent product can be purchased for 90 miles up the road. I think the reason we have not been getting value for money at all is that the witnesses have never spoken to the companies on a one-to-one basis, where the HSE is locked into a room and tells the company that if it does not provide the product at a certain price, the HSE will talk to another company. I do not understand it. One would not buy a car the way the HSE is doing this. It is like going to the Society of the Irish Motor Industry, SIMI, and asking it to get one a good deal on a car. The SIMI is there to represent its members. One will never get a deal if one is dealing through a trade association or body.

We will move on from that. Will the witnesses tell me the grade of the people - I do not need to know the names - representing the Irish taxpayer at these meetings as opposed to the representatives of companies whose turnover is bigger than Ireland's GNP? What is their grade and what level of commercial experience do they have? I am trying to find out what happens in the room where these prices are fixed. I believe there is not an equality of negotiating ability.

Mr. Tony O'Brien: The Department of Health side would be led at Assistant Secretary General level. The HSE would have senior pharmaceutical specialists as well as assistant national directors with specialist knowledge of the pharmaceutical sector.

Deputy Sean Fleming: The Department of Health leads the negotiations. Would the Assistant Secretary General have joined the Civil Service as an executive officer and worked his way up to Assistant Secretary General, and not through commercial experience? I do not need the person's name. This is not personal. From my point of view, this is going from bad to worse. We have a career civil servant negotiating a bill of approximately €2 billion, and he does not even get to talk to the people whose product he is buying.

Mr. Tony O'Brien: I am not aware of the individual's career history, but they are certainly very experienced in the area in which they are currently working.

Deputy Sean Fleming: They have not done a good job. The IMF does not think so.

Mr. Tony O'Brien: I am not sure if there is a question in there.

Deputy Sean Fleming: I will move on. I was trying to establish the process of who talks to whom in the companies. We have established that the HSE does not even talk to the suppliers directly, but through an intermediary. Does anybody from the Government's new procurement office in the Department of Public Expenditure and Reform lead these talks? What is that office's role? The Minister for Public Expenditure and Reform, Deputy Howlin, tells us there is a new procurement office across the public service. What is its role with regard to this topic?

Mr. Tony O'Brien: On the occasion of the last IPHA talks, that procurement office had not been established.

Deputy Sean Fleming: Okay. There is legislation going through the Dáil on the pricing of supplies of medicines. It is nearly completed. If this legislation is passed, has the HSE calculated how much savings there will be? The Oireachtas is anxious to pass this legislation as

it will allow the HSE to secure savings in its drugs and medicines bill. Before the legislation was drafted I am sure somebody proposed that if this new legislation was in place it would be possible to achieve X amount of savings. What savings can be achieved if this legislation is passed or what case did somebody put about the savings to be made?

Mr. Tony O'Brien: As I understand it, there are still issues to be determined in terms of how the legislation will be finally framed, as it has not yet been passed, and how it will be implemented. We would have been engaged in modelling various scenarios for the impact on our overall drugs expenditure of various scales of reduction in the price of drugs. That information is available to the Department and used by it in making the policy decisions, which are the responsibility of the Department and the Ministers rather than the HSE.

Deputy Sean Fleming: Can Mr. O'Brien give us a sample of the scenarios the HSE presented about the savings in terms of percentages, money or specific products? The Department handles the policy in the legislation.

Mr. Tony O'Brien: I can give one example. We suggested with regard to PPIs that a switch to the lowest cost drug would have a value in excess of €10 million in a full year in one drug category, and that reference pricing should relate to the lowest cost-effective drug. In other words, we believe the preferred medicines programme we now have in place should be a basis for reference pricing in the future. One can go through every drug category. One would not be able to switch all patients because there are issues of tolerance and acceptability, so there has to be discretion at the margins. However, it is possible to calculate in every drug category what the effect of a major switch towards the lowest cost branded or generic drug would be. That type of information is available to the Department.

Deputy Sean Fleming: If the HSE was successful in moving to as many of these as possible, what would be the best case scenario of the savings this legislation could help it to achieve?

Mr. Tony O'Brien: If I gave a figure now, it would be off the top of my head and that would not be appropriate in this forum. However, we can certainly revert to the committee on that.

Deputy Sean Fleming: The legislation has been in the Oireachtas for 12 months. If there are serious savings to be made for the taxpayer, it is in everybody's interest that the legislation is finalised as quickly as possible.

I will move to the issue of waiting times for first appointments for outpatients. There are 388,000 people waiting for such appointments. Is that up or down or a good figure? It is a phenomenal number of people. Will the witness put the figure in context?

Mr. Tony O'Brien: Recently, for the first time, we have had a consolidated figure for the number of persons waiting for an outpatient appointment. That overall figure is being subjected to validation. In other words, we would expect to find within that total persons who have already had their first appointment at another location or who have perhaps moved location. There is likely to be significant duplication within that, so the process of validation will have a significant impact. One of the reasons for putting the time and energy into developing a single consolidated view was to facilitate that type of process. That then allows us to put in a primary target list to enable chronological provision of appointments, subject to clinical need, and to take that forward. In context, each month approximately 160,000 outpatient appointments arise in our system. That would be a mix of first and follow-up appointments.

Deputy Sean Fleming: That is the average. This figure sounds a better figure as it is less

than three months. I know some people will be waiting 12 months. What is the average for the system per annum?

Mr. Tony O'Brien: It is 12 times 160,000, approximately. That would be approximately 1.9 million.

Deputy Sean Fleming: The 380,000 represents a couple of months, although I know that is not how it works.

Mr. Tony O'Brien: The problem is that if one looks at the average with outpatients or inpatient day cases, which we did for many years, it ignores or does not take account of the fact that there is a certain tipping point beyond which people seem to be left forever. Within that list, therefore, one will find some patients who will have been listed for more than four years for certain procedures. Some of them will have had those appointments elsewhere but others will genuinely have been waiting, orthopaedics being one example. The purpose of the list is to identify the longest waiters so we target resources at them and, as with the inpatient and day case, progressively eliminate long waits and ultimately bring down the longest acceptable wait.

Deputy Sean Fleming: Now that this list is available, when does the HSE expect to have a programme in place so it will know how many people are waiting over a certain period?

Mr. Tony O'Brien: A considerable amount of work is already under way in individual hospitals in the context of individual plans for how the hospitals will deal with their lists. Where particular issues arise, such as in orthopaedics in some places, there have been processes in place to redirect referrals to other locations. It will be an ongoing process.

Deputy Sean Fleming: I will move to a different topic. It is an unusual one, but I picked it up in Appendix 3 on page 195, the last page of the accounts. It is a figure of €18,262,000 for security. I understand why one needs security in hospitals as there can be difficult, troublesome and violent patients and patients who need to be separated. I am sure the gardaí need to be called on occasion. Will Mr. Woods give me a breakdown on how that €18 million is tendered? Does each group of hospitals do its own? Is it done centrally? Does a security firm in Cork look after the Cork hospitals and a security firm in Galway look after the Galway hospitals? Are there local arrangements and local contractors or is there central purchasing? What arrangements are in place? Some €18 million is a large figure. It is unfortunate that we have to spend this money; let us be clear about that.

Mr. Liam Woods: In terms of the overall approach to procurement, in so far as possible, we are looking to aggregate the national level and use framework agreements which allow for national contracts and, where appropriate, regional or local contracts, but that really depends on what is being purchased.

With regard to security, I would have to come back to the Deputy with an update on the framework for that and what the approach is. Fundamentally, the Deputy asked if it is contracted locally or if it is negotiated at some higher level, but I will have to come back on that.

Deputy Sean Fleming: I wish to raise a point on which I would like a detailed note to be provided, because the witnesses could not possibly have the information. Somebody contacted me in regard to the security contract for the Limerick group of hospitals, involving the Mid-Western Regional Hospital, the Mid-Western Regional Maternity Hospital and St. John's Hospital. I am sure the contract is for €1 million or more. I was told the company that has the contract got it in 2005 for a three-year period. It got a one-year extension to 2009 and a further

one-year extension to 2010. However, the contract has not been put out to tender since. I hope there are not people without tendered contracts. When the HSE is giving us the note on security, it might specifically cover the Limerick group of hospitals.

Could we have a note on what is in that framework contract in regard to general security demand at front doors and special security arrangements? I am sure situations blow up in hospitals. People will know that at busy weekends, extra people are needed in addition to the standard complement. Will the HSE explain the framework and how it works, with particular reference to the issue I raised?

I wish to move on to home care packages. I refer to the accounts for 2011 and supporting older people. A total of 15,270 people benefited from the home care package at some point during the year. In the Revised Estimates for 2013 published last week, that figure has been reduced to 10,870, a reduction of 30%. Why has there been such a reduction in the number of home care packages? They are for elderly and disabled people whom we are trying to keep at home. Is it any wonder there is a waiting list for the fair deal scheme and people in acute hospitals when the HSE has cut the number of home care packages from over 15,000 to just over 10,000 for the current year? It is a massive reduction. Why did the HSE single out that area for a 30% cut? We all know there are reductions everywhere.

Ms Laverne McGuinness: There is a difference between the number of packages and the number of people who are benefiting. We said the totality of the budget available in 2012 would be the same available for home care packages in 2013. Given that we did not achieve our full target, it will be an increase in 2013. The number of people benefiting can depend on the duration for which a person can have a package, but the totality of the money has not been reduced in 2013 for home care packages.

Deputy Sean Fleming: The HSE's published figures state the number of home care packages in 2011 was more than 15,000 but the number in the Revised Estimates published last week state that-----

Mr. Tony O'Brien: There is a difference between the number of packages at any one time and the number of people who will benefit from them in the course of the year.

Deputy Sean Fleming: What Mr. O'Brien is saying is that some packages might be there for six months only.

Mr. Tony O'Brien: Exactly.

Deputy Sean Fleming: What is the figure for 2013 compared to the actual figure quoted in the HSE's accounts of more than 15,000 packages? The Revised Estimates referred to home care packages and not whole-year equivalents.

Mr. Tony O'Brien: In the Estimates for the year in question - 2011 - it was expressed in terms of the number of packages. At the end of a year, one can look back and see how many people had the benefit of those packages. That will depend on the length of time. In other words, these packages are recycled. Person A might use the package for the first quarter while person B might use it for the next nine months.

Deputy Sean Fleming: Separate from the home care packages are the home help hours. In the same period, the HSE reduced the number of home help hours from 11.1 million in 2011 to 10.3 million in 2013, which is a 10% reduction. The elderly and people who are ill at home are

bearing a disproportionate cut when one looks at the home care packages and at the home help hours. The number of people in receipt of home help hours has been reduced somewhat. There is a disproportionate cut in those two areas for elderly people in their homes.

Mr. Tony O'Brien: The reduction occurred between 2011 and 2012 and not between 2012 and 2013. The cut to which the Deputy referred is correct but it happened at the turn of 2011 into 2012, and it has not been restored.

Deputy Sean Fleming: I refer to the national children's hospital. How much has the HSE paid out on this project to date? There is some reference to it in the accounts, which mention a €23.795 million cash advance to support the Adelaide and Meath Hospitals, Dublin, incorporating the National Children's Hospital as agreed with the Minister.

Mr. Tony O'Brien: It is a different national children's hospital.

Deputy Sean Fleming: Which one is this?

Mr. Tony O'Brien: This is the hospital that used to be on Harcourt Street and was called the National Children's Hospital. It was merged with the Meath and the Adelaide hospitals to form a hospital now more commonly referred to as Tallaght Hospital. That funding specifically related to a financial challenge that hospital had at that time and it is not related to the national paediatric hospital which we call the new children's hospital.

Deputy Sean Fleming: How much has been paid out to date, or what is the cost incurred to date?

Mr. Tony O'Brien: Is that in regard to the development of the new-----

Deputy Sean Fleming: The new national children's hospital, which we all look forward to seeing.

Mr. Tony O'Brien: We would need to come back to the Deputy with that figure. We do not have that information with us today.

Deputy Sean Fleming: Mr. O'Brien might break it down between the figure spent on the site at which we are no longer looking and costs already incurred in regard to the new proposal.

I refer to the issue of patient transport. Coming from the midlands, I am conscious that a number of people must be transported from midland hospitals and other hospitals to Dublin. Some of the vehicles used are not wheelchair-accessible. Would the HSE not have a standard policy? One cannot get a new taxi licence nowadays if the vehicle is not wheelchair-accessible. The response I received from the HSE the other day to a parliamentary question was that the patient could bring his or her fold-up wheelchair on the bus if he or she could carry it on. I was shocked that the HSE would give out contracts in this day and age for patients, many of whom could be orthopaedic patients, whose basic requirement is that transport be wheelchair-accessible. Does Mr. O'Brien agree with that?

Mr. Tony O'Brien: I would have to say that I agree. The whole issue of patient transport services is up for re-procurement and will be progressed in the context of discussions with the newly established National Procurement Service. The overall category of transport services is to be addressed across the entire public sector and those discussions have begun. However, I would have to say I agree with the Deputy that patient transport should be wheelchair-accessible.

Deputy Sean Fleming: If we go back to a national framework, that will have to be inserted because obviously there are local arrangements at local level and I would not think anybody is really happy with that. There are probably old arrangements in place.

Mr. Tony O'Brien: The Deputy's point is well made.

Deputy Sean Fleming: I have one last point to make and I raised this topic with Mr. O'Brien previously. There is a write-off of bad debts in the accounts. I am not sure if the figure is €14 million or €15 million but why would the HSE be writing off money it is owed? The people who owe money include those who have not paid accident and emergency charges, among other things. How much of the debt on the balance sheet is over one year old? We have talked about days and weeks for the consultants to put their claims in but I am equally concerned about money that is owing to the HSE for over one or two years that the executive might never see. How much was written off and what is the mechanism for writing off bad debts? Can we do anything to collect some of the money that is owing?

Mr. Paddy McDonald: The process of writing off debt, through the Vote and the financial procedures of the Department of Finance, is that anything above a certain level has to be sanctioned by that Department. That level is set at €30,000 per individual incident.

Deputy Sean Fleming: What is the figure in these accounts for the write-offs? It is hard enough to get money in. When it is in the accounts and has to be written off as uncollectible, one must ask whether it should have been in the accounts in the first place or perhaps the issue is a lack of effort made to collect the debt. People will not get away with not paying their property tax. If An Post started writing off all of its debts for unpaid television licences, nobody would pay for a licence. There must be some mechanism in place to ensure that people cannot just walk away from their debts to the HSE, with the executive then writing off those debts after a given period.

Mr. Paddy McDonald: The relevant figure in the 2011 Annual Financial Statement, AFS, is on page 157.

Deputy Sean Fleming: The figure is €13.6 million for bad and doubtful debts. I ask the witnesses to outline the scenario there and while they are gathering the information, I wish to ask one final question on legal costs. There appears to be €80 million in the accounts for the State Claims Agency. This is an issue that we raise regularly. Everyone here is probably aware of the case in the courts last week which resulted in a settlement of €1.4 million for an eight year old girl who suffered severe injuries at birth. The HSE admitted liability but I wish to know what lessons can be learned so that we can avoid such absolutely avoidable problems. The court heard that three publicly appointed consultant obstetricians at the hospital were on holiday and a locum consultant obstetrician was on duty. The HSE accepted responsibility for not having the appropriate people on site. Who is running a hospital where the only three obstetricians can go on holidays at the same time? Surely there should be better management of staff than that.

I have a list of four of five of these types of cases, which I will not go through now because I am sure the witnesses are well aware of them. My main concern is to ensure that lessons are being learned from cases of negligence. I also worry that all such cases are going to the State Claims Agency because that means that the HSE simply writes a cheque for several million euro every few months, depending on when the settlements come through. It should be a bit more painful for the HSE to have to pay out such sums and in that way, it would learn lessons

more quickly. I accept that there will always be cases where something goes wrong and for the people affected, no money will ever compensate them for the lifelong injuries they suffered or the life-changing events they went through. However, I am worried that lessons are not being learned.

I ask the witnesses to give us a figure for the number of cases on hand at the end of the year and the estimate of the eventual cost. According to the accounts, the HSE is making settlements to the tune of between €70 million and €90 million each year. I know the State Claims Agency takes the process out of the hands of the HSE, but what kind of risk assessment is done each year by the board and the risk managers employed by the executive? Is there an analysis done of the cases settled to ascertain whether there are common threads running through them, in order to ensure that certain avoidable risks are not recurring?

Mr. Tony O'Brien: Every case that results in significant harm to any individual is regrettable and a tragedy for that individual and his or her family. The State Claims Agency operates in the wider public interest in the way that it approaches claims and in its efforts to bring down the overall cost to the taxpayer of meeting these liabilities as they arise. Some of the claims referenced by the Deputy are, by their nature, aged because they have resulted in court proceedings over a number of years. The point of learning is actually much closer to the adverse event than the issue of settlement. One of those cases mentioned by the Deputy goes back to 2004. In each instance of an adverse clinical event an appropriate review is carried out, under the auspices of either the local or national incident team, depending on the seriousness of that event. Through a clinical governance process, led by a director of quality and patient safety, the HSE ensures that the maximum learning is derived as near as possible to the time of the adverse event rather than waiting until later on. The risk management process is very much focused on learning from these events as they arise. The Deputy has instanced a case where there were clear opportunities for learning at that time. While the overall settlement issue is something that is kept under review, the focus of learning is much earlier.

Deputy Sean Fleming: The note in the Comptroller and Auditor General's report on Vote 40 refers to 917 outstanding claims against the HSE with HSE insurers and a further 2,691 outstanding claims against the HSE with the State Claims Agency. I ask the witnesses to give us an estimate for the potential liability there. On the same page as that note are the details of the write-off, to which I will return presently.

Mr. Liam Woods: The contingent liability associated with the State Claims Agency is set out on page 171 of the AFS.

Deputy Sean Fleming: What is it?

Mr. Liam Woods: Note 29 on page 171 indicates that the contingent liability is €866 million, associated with potential future claims.

Deputy Sean Fleming: Can Mr. Woods repeat the figure?

Mr. Liam Woods: It is €866 million.

Deputy Sean Fleming: Therefore, the HSE is estimating that to settle the claims already on hand will cost almost €1 billion. Is that correct?

Mr. Liam Woods: Yes. That is based on an actuarial assessment by the State Claims Agency.

Deputy Sean Fleming: That is a phenomenal cost.

To go back to the adverse medical events, as Mr. O'Brien calls them, regularly there is denial of responsibility at local level. When does the HSE decide that an adverse medical event is such? The HSE can only learn from such events at the time of their occurrence, rather than four years later when there is a case before the courts. I would have thought that if the executive believed that an adverse medical event had occurred, leading to an injury to a patient, it would issue an apology to the person concerned at that point and would not wait for five years to apologise, when the case is before the High Court. Would it not be better not to give barristers a few hundred thousand euro each, on both sides, for four years or more while the State Claims Agency does its job? The HSE could cut that €866 million bill in half if it took action as soon as the adverse medical event was confirmed, rather than waiting for four or five years. Most people who go through a difficult experience in a hospital want to know what actually happened and who was responsible. They want somebody to admit they made a mistake and to say sorry. We have seen that many times. The word "sorry", if uttered genuinely, could save a fortune. If people were up front and put their hands up, within weeks or months of the event, some of the cases might not proceed to court at all. How many of these cases of adverse medical events are prevented from proceeding to court through proper people management?

Mr. Tony O'Brien: It is an impossible figure to give because there are daily interactions between clinical and other staff and persons who have not had the desired outcome from their medical treatment. Many of these cases result in larger settlements because of significant lifetime needs arising from the adverse incident. It is unlikely that they will go away, particularly in a case where there has been a major adverse consequence from surgery, or a failure to provide appropriate treatment which has resulted in significant harm and additional care needs. We need to have a situation where the health service is confident enough to be honest with patients about what has happened. That is the thrust of the work of our clinical governance system that is ongoing. Many of the cases coming to court predate the contemporary approach to these issues. There is a necessary timelag with these cases because it takes time for the true need to materialise in order that an appropriate award can be made.

Deputy Sean Fleming: I have seen the details. I asked about the €13 million figure for write-offs in the accounts. These included write-offs in the case of emergency department of €2.2 million; in-patient charges of €2.1 million and private charges of €4.7 million. Are the people concerned not covered by private insurance and is it the case that they cannot afford to pay? How are write-offs made? When does the HSE stop chasing people for the money? If a person ignores a bill for long enough, will the HSE go away?

Mr. Liam Woods: I have a couple of observations to make that might be anecdotal, but they would offer an example of the cases we are discussing. Some of them are technical. If someone is admitted through an accident and emergency department and pays a charge, but it subsequently turns out to be a notifiable infectious disease, the charge may have been invalidly raised or it could turn out to be the case subsequently that the person has a medical card. There is also discretion under legislation for the HSE to write off a debt in cases of extreme hardship and there are such examples. In the case of road traffic accidents, if people do not pursue a case, the HSE does not seek the cost, but it may have been recorded. There are technical reasons, including hardship and reaching a figure of 12 months, we make provision against a debt. However, we continue to seek to collect it. A write-off only occurs when the view is taken that it would not be possible to collect it.

Chairman: It was said the Department of Health had employed PA Consulting, or was it the

HSE that had employed that firm?

Mr. Tony O'Brien: Both statements are correct. Initially the Department of Health contracted PA Consulting to do some work. The HSE subsequently under its framework selected PA Consulting to do a different piece of follow-on work.

Chairman: What was the value of the contract with the Department of Health?

Mr. Tony O'Brien: I do not have that information. I would have known it at the time, but I do not have it now.

Chairman: How much is the contract with the HSE worth?

Mr. Tony O'Brien: It is worth €750,000, exclusive of VAT.

Chairman: That feeds into the analysis of the financial systems the HSE needs in terms of oversight. Was the Ogden report commissioned by the Department of Health? I assume Mr. O'Brien would not know the cost of that report.

Mr. Tony O'Brien: I do not know, but it would not be anything like the order of the cost of the PA Consulting report. As Mr. Ogden is senior financial manager in the NHS, he would not have been working for a consultancy house.

Chairman: Would the Department know the cost of the Ogden report and the PA Consulting contract?

Mr. Tom Heffernan: I do not know. There is requirement that any consultancy above €200,000 requires our sanction, but I do not recall seeing anything for the Ogden report.

Chairman: Who could get that information for us?

Mr. Tony O'Brien: We can ask, but I would expect the cost associated with the Ogden report to be relatively small, certainly well below the cap Mr. Heffernan mentioned.

Chairman: Can we get the cost figures for the PA Consulting report for the Department of Health and the Ogden report?

Mr. Tony O'Brien: I will ask for that information.

Chairman: On the financial systems required, we hear time and again that the legacy systems do not connect with each other and that most information at national level is compiled manually from these systems. I presume there has been a proposal made to the Department of Public Expenditure and Reform regarding the cost of a new system or expanding the existing system within the organisation. Is that right?

Mr. Liam Woods: Yes.

Chairman: What is the estimated cost of a new system to run across all HSE activities and bring all financial analyses together?

Mr. Liam Woods: I would be reluctant to give a figure because it is commercially sensitive information and subject to tender. I will discuss the matter with the Chairman afterwards perhaps.

Chairman: What about seeking approval for such a contract?

Mr. Liam Woods: There is an approval process under CMOD that requires us to make a business case.

Chairman: Has the business case been prepared?

Mr. Liam Woods: We have prepared a number of business cases over a number of years.

Chairman: Have they not passed the test?

Mr. Liam Woods: The Department of Public Expenditure and Reform and the IT division of CMOD ask us specific questions about proposals. We have a set of questions about our proposal to answer and there will be a meeting in the coming couple of weeks to answering them.

Chairman: Different proposals would have been made during the years to that Department and CMOD. Having listened to the examination of this Vote and the activities of the HSE, would Mr. Heffernan's Department not consider it urgent that the matter be progressed more quickly in order that we can have the sort of financial analysis required? As I listened to some of the representatives of the HSE, they do not have some of the figures because they are not readily available. Given the amount of manual work involved, surely it is a priority for the Department of Public Expenditure and Reform to sanction some business plan to allow this system to be put in place?

Mr. Tom Heffernan: I share the Chairman's concern. It has been a priority of the Department of Public Expenditure and Reform since 2006 to encourage the HSE to bring forward proposals to put in place a single national financial management system. We have had engagements during the years to encourage this. A proposal emerged and when various technical issues were raised from time to time, the proposals tended to revert back to the HSE and the Department of Health for clarification and elaboration. The most recent proposal, on which there has been engagement with CMOD, is a different technical solution and approach to the proposal that was on the table up to 2010. Apart from exhorting and expressing the same concerns the committee would express about the management of information, we cannot force the HSE and Department of Health to produce a product. When they produce products, we engage with them and evaluate the products presented.

Chairman: Has Mr. Woods produced the product?

Mr. Liam Woods: There was a chapter on this matter in the report of the Comptroller and Auditor General for 2009. It was considered by the committee about a year and a half ago. In reference to the comments made, the structural arrangements within the health environment are changing and our proposals need to reflect these amendments. Meeting the underlying requirement for a single processing engine for the HSE is in our collective interests in dealing with the committee in terms of the health environment and in reporting to the Government and the Department of Public Expenditure and Reform.

Chairman: I would like to reflect on this for a minute. I read in a report that the HSE has approximately 70,000 vendors - people who provide goods and services to it. Most of the answers given today, in response to the aged debt issue that was raised by Deputy O'Donnell and other matters, would be on the tip of the tongue of most people in the commercial world. They would need to have that knowledge at their fingertips. The HSE does not function in that way, for some reason. Mr. O'Brien and his officials have to understand how the members of this committee grow tired of the same argument - that no proper system of accounting, analysis or management is in place - being put again and again. The public is growing tired of it too.

I read somewhere that the SAP system runs right across some of the eight or nine centres of accountability. It appears from my analysis that while it might not be possible to buy it off the shelf, it has been checked and used by commercial entities all over the world. If this software product has been identified, it should not be beyond the HSE to arrange for it to be applied. I do not suggest this is the solution. I do not know. I know it is being used in some parts of the organisation. Surely Mr. Heffernan's department wants to see this resolved. The sooner that is done, the better. Our report mentions it.

I am not content merely to produce a report, lay it before the Houses and give a copy of it to Mr. O'Brien in the HSE. We want to see some action on foot of it. Quite frankly, I do not consider his replies today to amount to a great deal of action. It does not appear to me that he is greatly exercised by it. I would hope that he would be. I am not making this directly personal to anybody. It is frustrating that two big organisations - the Department and the HSE - do not seem to be getting to grips with a huge problem that is mentioned time and again in reports. There is no clear pathway to defining the cost, getting the product, putting it in place and getting the problem sorted out. I ask that the report be taken seriously and that the matter be dealt with by the HSE and the Department. We can revisit it when the witnesses are here at a future date.

I would like to touch on the matter of payroll. How much does it cost the section in question to deliver payroll to the HSE?

Mr. Liam Woods: There are a number of payroll units in the HSE. Just over 200 individuals are working in payroll. I estimate that the total cost is just over €20 million. I would like to come back to the committee with a precise figure. Not all of the figure relates to people. Some of it relates to system cost.

Chairman: I do not wish to reduce job numbers or threaten people who are in that section. Has a comparison ever been made between the cost of providing the payroll system in-house and the cost of a commercial solution that might be outsourced? It costs approximately €22 million for over 200 people to provide it in-house. I know there is a problem in this regard because of the Croke Park agreement.

Mr. Liam Woods: We have carried out such a review. We have looked at the differentials in cost and at the capacity to have a single payroll nationally. Before we talk about how the HSE payroll is delivered, the first objective is to have a single payroll running nationally. We would get value from that in terms of the numbers I have mentioned. There could be staffing amalgamations, etc. Further potential financial savings arise when one compares outsourced and insourced solutions.

Chairman: Can Mr. Woods estimate what the potential savings might be?

Mr. Liam Woods: There could be labour cost savings of the order of approximately 30%.

Chairman: Presumably there could be other cost savings.

Mr. Liam Woods: Yes. One would also have to look at other matters. If we were to engage in outsourcing, potentially we would have to consider other costs such as VAT.

Chairman: One could reduce the €22 million cost by almost half.

Mr. Liam Woods: The number of people involved in a centralised solution for us, before we talk about outsourcing, could reduce from over 200 to under 100. That would be the biggest

single gain. There would also be a big intelligence gain. It is rather like the point the Chairman made previously about a single national financial system. If data on the cost of pay and on the number of people being paid were available in one place, it would be a big advantage for the organisation in terms of its management capacity.

Chairman: Would it be possible for the HSE to pursue this now, or does it have to await the outcome of the Croke Park II process?

Mr. Liam Woods: We are pursuing a business case to change the way we deliver payroll. That is something we have brought through the business case process. We are pursuing it. The particular model will depend to some extent on the discussions within the Croke Park environment.

Chairman: It is peculiar that an Irish company can manage the different hours that staff work, the rotas and the payroll systems around rotas in big and complex organisations in the UK, but there is no work for it in Ireland.

Mr. Liam Woods: We use the company in question, if I understand correctly the company to which the Chairman is referring. We are engaged with a number of companies because of the multiple-system environment.

Chairman: I am not making the case for the company. I am simply saying that a solution to the HSE's software problem and its payroll costs is available. I would like to see the HSE actively progressing savings of that nature.

Mr. Liam Woods: We are doing that. We have completed a business case on the payroll side. We are looking to take action in that regard. Some issues are arising in the context of phase II of the Croke Park discussions, to which the Chairman has referred.

Chairman: I do not think the HSE can ignore the type of savings that are being suggested. We will come back to this issue again. Between 3,000 and 3,500 organisations in the voluntary sector operate under sections 38 and 39 of the Health Act 2004. The last day we were here, we looked at the service level agreements with these organisations. It was discovered that there was some adherence to the rule - I will not say there was little or no adherence to it - across the sector. Has that changed? I have looked at Tallaght Hospital, for example. If we went back to that scene again, would the HSE get a lot of change in there today, as distinct from what was found when HIQA spoke about this?

Mr. Tony O'Brien: Yes, I believe we would see very substantial changes in that institution. There have been wholesale changes in its governance arrangements. There has been a significant restructuring of the board. The changes in the way the hospital is managed at an operational level have brought about significant improvements in the whole spectrum of activities within the hospital.

Chairman: Could Ms McGuinness comment on the other 3,000 organisations? Has the HSE investigated the service level agreements that are in place? Are they in place? Has the position improved?

Ms Laverne McGuinness: The service level arrangements have been revised for the hospitals and the other organisations, many of which are disability organisations, to take account of all the governance arrangements and the issues which were highlighted as part of the HIQA investigation at Tallaght Hospital. That has been done right across the hospitals. We have a

comprehensive scheduling initiative in relation to the issue of quality and safety. It is one of the areas that is monitored by the managers as part of their monthly review. We have stipulated that at least ten meetings must be held by senior management with senior managers of organisations that are over a threshold value. We have also stipulated certain guidance with regard to who needs to be in attendance at such meetings to ensure all the relevant information is available and to make sure appropriate management of the arrangement and the funds that are given to the organisation takes place.

Chairman: I can take it that they are in place.

Ms Laverne McGuinness: They are in place, yes.

Chairman: Can I take it that there is some way of policing their operation and ensuring they work?

Ms Laverne McGuinness: Yes. We are enhancing it further. There is always a requirement for enhancement when monitoring arrangements are being put in place. We plan to enhance it further in the cases of organisations we fund to the tune of over €20 million. That is where we are starting it at this point in time. We are going to have a centralised approach to the management of some of those arrangements not in the hospital sector but in the disability sector.

Chairman: When an organisation from my constituency that operates under sections 38 and 39 raised a query about the management of its funds at an Oireachtas meeting, through a patient, I asked for a report on the fact that it is now being charged for services it was not charged for before. It takes a considerable length of time to get any information on it and, to date, I still have not received the information on it. Recently, I had to submit a parliamentary question to try to extract the information, despite the fact it was promised at a meeting of Oireachtas Members. I suggest to Mr. O'Brien this is an area that should be examined in terms of savings. Much of the information for both the Oireachtas parliamentary question system and the HSE system should be held locally or centrally and it should be easier to get the information provided in a more timely fashion for Members.

Mr. Tony O'Brien: I agree. This is something we have discussed previously and it is in everybody's interest that we streamline those processes. I will look into the matter the Chairman has raised.

Chairman: Finally, a report in the *Irish Examiner* on 16 January stated the HSE suggested charities' cash reserves offer a chance to cut grants. A further report related to the HSE's internal audit and findings. Will Mr. O'Brien comment on these? With regard to the internal audit having found various problems within the system throughout the country, have these problems been addressed? I would like to go into more detail on this, but will not do so today. Is there a mechanism within the HSE for a rapid response to the queries raised in the newspaper article or in the HSE report? Will Mr. O'Brien tell us whether there will be cutbacks because of the cash reserves people have?

Mr. Tony O'Brien: With regard to the internal audit, I am aware of the newspaper article to which the Chairman referred. Every internal audit report has a set of recommendations and these are coded in the normal way as to severity. These are first processed in their setting and every report is also considered centrally by the national management team in terms of the applicability of what has been found and the lessons to be drawn for the entire system. Also, on an exception basis, reports are brought to the board, depending on their universal applicabil-

ity. The internal audit function then follows up to establish whether the recommendations are being complied with. As I mentioned in my opening statement, I have taken steps to further strengthen the internal audit function, including the use of outsourced audit personnel, specifically to beef up our capacity with regard to section 38 and section 38 issues.

With regard to the accumulation of surpluses by voluntary bodies, clearly there is room for discussion if the level of funding we are providing is contributing to a situation in which large surpluses are being developed by any voluntary body. We would be obliged to examine the extent to which that should be taken into account in the award of public funding to that body, given the overall constraints that apply to us. This applies to both larger and smaller voluntary bodies.

Chairman: In terms of the findings of the internal audit, are they provided to the Comptroller and Auditor General?

Mr. Tony O'Brien: They are certainly discussed by and made available to the Comptroller and Auditor General. They are not so much published, but are released periodically under the terms of the Freedom of Information Act, which is a safer way for such things to be published.

Chairman: Is it possible we could get copies of them?

Mr. Tony O'Brien: There is no problem with that.

Chairman: That would keep us informed of the issues. Has the HSE met with the troika recently?

Mr. Tony O'Brien: Representatives of the HSE met with troika representatives yesterday.

Chairman: How did they get on?

Ms Laverne McGuinness: They were interested primarily in the level of savings we have set out in our service plan this year and how we are delivering on them. A report is presented to the Cabinet on an ongoing basis, which sets out the totality of the savings to be delivered under Croke Park I, such as the €106 million. A significant level of savings is also to be delivered from the Primary Care Reimbursement Service, PCRS. The troika was interested in hearing how we are delivering those savings. They were very interested in hearing about the savings on drugs and the potential for further savings in that area. They were also interested in the ESRI report and this was the subject of a separate meeting before the general meeting in regard to finances.

Our message on the finance side was that we are currently on track in terms of the moneys for this quarter, but that there are significant challenges in terms of the savings to be delivered over the course of the next month. However, we were delivering on target and adhering to the programme we had set out.

Chairman: Did the troika demand anything in particular from the HSE in terms of accountability or anything else?

Mr. Tony O'Brien: I think it is fair to say that the troika, like the Government, is simply looking for us to report transparently on our progress against the service plan. Clearly, the troika has some wider policy objectives, which relate in particular to the price of medicines discussion we had here today, and it also has views on input and labour costs. The interaction between the HSE and the troika is very much focused on the discussion of how service plan is

progressing, particularly from a financial point of view.

Chairman: I will not go back to the discussion on the fair deal, but I hope those who are waiting for the fair deal, who have been approved and assessed but are still in their own home, will get priority. It was mentioned earlier that it was a case of hardship. Most of those people are suffering hardship. They have been approved for 24/7 care in a home and their families are anxious they get that. I have come across some cases that need to be dealt with. I hope that when the third week is up, the HSE will turn its attention to the people who are waiting and under pressure.

Mr. Tony O'Brien: Certainly. To reiterate, the important interrelationship between this current temporary change and the acceleration of 400 additional places, over and above the normal number of places that would have been released in March, means there is nobody who would have been in a place this month who is not already in that place. They have got those places sooner than would have otherwise arisen. This was essentially motivated by the same concerns, to keep the system flowing in the interest of patient care.

Chairman: I thank the witnesses for attending. I ask the committee now to dispose of Vote 40 and the HSE Annual Financial Statements 2011. Is that agreed? Agreed.

The witnesses withdrew.

The committee adjourned at 2.20 p.m. until 10 a.m. on Thursday, 2 May 2013.